

CIVITAS HUMANA

*By the same author :*

CRISES AND CYCLES

INTERNATIONAL ECONOMIC DISINTEGRATION

# CIVITAS HUMANA

A HUMANE ORDER OF  
SOCIETY

*by*

WILHELM RÖPKE, Ph.D.

*Professor of Economics at the Graduate  
Institute of International Studies, Geneva*

TRANSLATED FROM THE GERMAN

BY

CYRIL SPENCER FOX



LONDON

EDINBURGH

GLASGOW

WILLIAM HODGE AND COMPANY, LIMITED

1948





GENIO GENAVAE

## TRANSLATOR'S NOTE

I would like to express my sincere thanks to DR. F. VORTREIDER, PH.D. for most kind assistance rendered with this translation ; and I wish also to express my warmest thanks to my friends MR. ESMOND POSTGATE and MR. WILLIAM SHIELL for their great kindness in reading the manuscript.

I am particularly grateful to PROFESSOR JEWKES for many useful suggestions and for some valuable alterations when he undertook the invidious but much appreciated task of correcting my text.

*Hertfordshire*

C. S. Fox.

# CONTENTS

PREFACE . . . . .	PAGE xiii
-------------------	-----------

## INTRODUCTION

	PAGE
	I

FROM OLD TO NEW FORMS OF ECONOMY AND SOCIETY—	
CAPITALISM—COLLECTIVISM—ECONOMIC HUMANISM . . . . .	I
• Economic Order and “Capitalism” . . . . .	4
Collectivism . . . . .	11
Neither Capitalism Nor Collectivism . . . . .	24
Notes . . . . .	34

## PART I

### MORAL FOUNDATIONS

#### CHAPTER I

MORAL FOUNDATIONS . . . . .	43
Rationalism Astray . . . . .	43
Hubris of the Intellect . . . . .	45
The Historical Origin of Errors . . . . .	49
Scientism and Positivism. . . . .	53
Notes . . . . .	56

#### CHAPTER II

THE PLACE OF SCIENCE IN THE CITY OF MAN . . . . .	61
Eternal Saint-Simonism . . . . .	61
Criticism and Dissolution of Values . . . . .	63
The Role of Scientism in Modern Society . . . . .	67
A Value Judgment upon Value Judgments . . . . .	73
Notes . . . . .	79

## PART II

### THE GOVERNMENT

#### CHAPTER III

THE HEALTHY AND THE SICK GOVERNMENT . . . . .	85
Criteria . . . . .	85
Dangers and Symptoms of Decomposition . . . . .	92
Notes . . . . .	97

CHAPTER IV		PAGE
COUNTERWEIGHTS TO THE STATE . . . . .		99
Conformity and Unbelief . . . . .		99
Material-Institutional Counterweights . . . . .		105
Leviathan . . . . .		112
Notes . . . . .		115

## CHAPTER V

SPECIFIC COUNTERWEIGHTS TO THE POWER OF THE STATE . . . . .	117
Science—The Bench—The Press . . . . .	117
Once More the " Clerks " . . . . .	117
Science . . . . .	121
The Bench . . . . .	122
The Press . . . . .	123
Notes . . . . .	126

## PART III

### SOCIETY

#### CHAPTER VI

CONGESTION AND PROLETARIANISATION OF SOCIETY . . . . .	131
Shattered Optimism . . . . .	131
Congestion and Regimentation . . . . .	132
Proletarianisation . . . . .	137
Notes . . . . .	149

#### CHAPTER VII

DECONGESTION AND DEPROLETARIANISATION . . . . .	152
Grounds for Hope . . . . .	152
The Fundamentals of Action . . . . .	153
The Restoration of Property . . . . .	156
The Tasks of Town and Country Planning . . . . .	159
Notes . . . . .	164

## PART IV

### ECONOMICS

#### CHAPTER VIII

THE DECENTRALISATION OF INDUSTRY . . . . .	169
Encouraging Factors . . . . .	169
Reasons for the Vitality of the Small Concern . . . . .	172
The Task . . . . .	177
Notes . . . . .	180

## CHAPTER IX

	PAGE
THE PEASANT CORE OF SOCIETY . . . . .	182
Danger of Agrarian Collectivism . . . . .	182
The Problem . . . . .	184
Conclusions . . . . .	191
Notes . . . . .	194

## CHAPTER X

ALLEVIATION OF BUSINESS CYCLE FLUCTUATIONS . . . . .	196
Fundamental Considerations . . . . .	196
A Complex Problem with a Simple Foundation . . . . .	199
Some Objectives . . . . .	202
The So-called "Active Business Cycle Policy" . . . . .	205
"Full Employment" in National Socialist Germany . . . . .	210
Will o' the Wisp of "Full Employment" . . . . .	214
Permanent Stagnation of Market Economy . . . . .	218
Positive Conclusions . . . . .	220
Notes . . . . .	222

## CHAPTER XI

ECONOMIC SYSTEM AND INTERNATIONAL NEW ORDER . . . . .	224
Capitalism and Imperialism . . . . .	224
World Economy and Bloc Economy . . . . .	228
The Rehabilitation of World Economy . . . . .	232
Notes . . . . .	234
INDEX . . . . .	237



## PREFACE.

MANY, at least in Switzerland, will remember a novel by Heinrich Zschokke, the Swiss novelist of the early nineteenth century, which bears the title, "Quite Possibly." It is the very impressive story of a civil servant in a small German principality who served his country loyally and faithfully all through the troubles and changes of the period from the French Revolution to the Restoration, and who knew not only how to sit firmly in the saddle, but also to achieve the reputation of an unimpeachable prophet by answering every question as to the probable course of future political events with the words, "Quite possibly."

At the point which we have reached today in world history it would not seem at all a bad idea to emulate Secretary of State Stryk and to regard every conceivable turn which events may take as "Quite possible." In effect no better commentary could be made on contemporary world events than the fact that all has become possible from the worst to the best according to the intelligence, goodwill and energy of responsible circles and of the masses whom these are expected to lead. Let us contrast the worst eventualities with the most favourable as follows :

I. The recent war will not have been the last, not even in our generation, and increasingly destructive weapons during the next decades will eradicate whole nations and destroy the greater part of our material wealth in the Western Hemisphere. Tyranny, collectivism or anarchy will prevail more or less universally ; party hatreds, social revolutions, exorbitant demands on the part of the masses and party strife will rage until the whole machinery of economics and society has been virtually brought to a standstill ; the level of culture will sink still further and the spiritual inheritance of centuries, nay aeons, will melt away ; international economic decay will in spite of all plans pursue its course accompanied by inflation, exchange restrictions, mass unemployment, despair, monopolies, a throttling bureaucracy, secret police, concentration camps, irresponsible despotism and the final destruction of the middle classes ; there will be no genuine peace and no genuine international order but a world with new frontiers, new alliances and new opponents ; a genuine co-operation of the Anglo-Saxon nations to which the hopes of so many have been directed will come to nothing but will on the contrary

perish on the rocks of insuperable conflicts and friction ; a world which rose in arms to fight collectivism and imperialism will, after the happy outcome of this crusade, have dispersed home again with the same virus in its veins ; the U.S.A. will have after the war, just as she did before, returned to her own affairs, and in the midst of difficult economic disturbances have forgotten all good intentions as regards opening her frontiers ; the great social crisis of today will get even worse instead of better, and the general dissolution will pursue its course unhindered, until perhaps after a century or so of horror, humanity will make a fresh start with a greatly reduced population ; a barbaric lack of culture, decayed cities and an extreme primitiveness of life ; brutality and blindness will be a sign of the times ; the last war will prove to have been only a phase in the collapse of the European epoch of world history and will be followed by worse irruptions—this is all *quite possible*.

2. The war and its outcome may genuinely prove to have been a turn for the better and mark the crisis before recovery ; humanity will clearly recognise its folly and the deep and genuine roots of the catastrophe, and will exert itself to the full to put an end to a period of spiritual and moral confusion, oppression, exploitation and tyranny, mass civilisation with its narcotics and hysteria, of industrial monopoly and feudalism, of national decay through group anarchy, of the cult of the colossal, of pseudo-religious mass dogma and ideologies, of nationalism, imperialism, Biologism, capitalism and collectivism ; a new world order will come about after the fall of every type of totalitarian mass-government, based upon a genuine consciousness of international solidarity ; the democratic-liberal world will have a new sense of their responsibility for co-operation after having learnt to draw the consequences from experience of a liberalism of a past age which has become untenable and of an abominable collectivism of the present ; in this spirit a genuine decongestion of society, a continuous de-proletarianisation and decentralisation can be undertaken and thus the tendency to revolutionary confusion stifled ; simultaneously a new market economy will be set in motion which will instil an undreamed of impulse into economic life ; monopolies will be combated successfully, exchanges stabilised and finances gradually put in order ; in the degree in which market economy will have been freed from the serious problems of the existence of a Proletariat and monopoly so will it win back the sympathy of all those who had too hastily turned their back on it ; parallel with this rebirth of a free market we shall see the resurgence of a world economy with a free multilateral exchange of goods, reasonable tariffs and a new international system of currency, fruitful international capital investment and genuine most-favoured-



nation treatment for all countries great and small together with the exploitation of the soil's natural wealth which only a liberal world economy can guarantee; all these things will in future prevent that vast mass-unemployment which the great industrial countries had come to know during the last decade and will lend a greater stability to life as a whole. *This also is quite possible.*

These are the two utmost possibilities which an impenetrable future can hold in store for us. Whilst we are being torn by hope and fear there is only one task which is worthy of our efforts, namely, to do all in our power to steer the course of events as far from the first and as close to the second of these extreme possibilities as we can, and ignoring all strenuous opposition which lack of vision, narrow-mindedness, stupidity, ill-will, pigheadedness, inertia, misunderstanding and passion can put in our way. It was this consciousness of a duty which the world situation has laid also upon men of letters which induced me to make a modest contribution by offering to the public in the spring of 1942 in spite of its many shortcomings and omissions my book "Die Gesellschaftskrisis der Gegenwart" (Eugen Rentsch, Zurich). The circulation and echo of this book have exceeded all expectations. Now it is usually considered inappropriate for an author publicly and with satisfaction to register the success of his own book. Nevertheless, a considerate reader will understand that in the case of a book the object of which is to throw light upon the social crisis of the present time and its solution, the fact of the book's success will become a matter of importance in itself and the accuracy of the diagnosis will so to speak be experimentally confirmed. Actually the echo of my book can be considered as a good reflection of its subject, the social crisis of today, whether in a favourable and gratifying sense through the warmth of its reception, or in an unfavourable and regrettable sense through the insensibility and blind fury of a few unsparing opponents, but in either case by the liveliness of the discussion which it has unleashed. All circles and classes have come forward and many have exhibited an amazing forbearance for all the shortcomings of my book—some without reserve and with the admission that they saw their own thoughts therein clearly depicted and confirmed, others with more critical reserve and helpful suggestions on various points. Parts of the present book have reference to these.

Whilst in the present circumstances it is only natural that this book should have had a wide reception in Switzerland, a country which the author has taken as his starting point in more than one respect, it has also met with a strong and sympathetic response in several other countries. It is particularly gratifying that among these appreciations

are the names of distinguished writers such as Benedetto Croce and Luigi Einaudi, the classic master of Italian national economy. And what gave me especial pleasure was that a few months before his death, Guglielmo Ferrero offered me his unreserved appreciation as an historian and sociologist. And it is also noteworthy that the book found a ready welcome from numerous and responsive readers in Hungary where the first translation had appeared, before that country was swamped by totalitarianism, first brown, then red. Then followed a French, Italian and Portuguese translation. It is as well that readers should be aware of these facts for the echo of a book of this kind is in a sense an aspect of the state of affairs which the book is investigating, the inner core of society wherein disease and health are struggling together. The author was indeed so optimistic as to hope, that writing at some distance from the arena of contemporary conflicts, if he were able to put forward a clear and straightforward exegesis at the right moment and in the right manner, he would achieve a considerable degree of sympathy for his views. That in spite of the many weaknesses in the book of which the author himself is only too conscious his hopes have been fulfilled, should count as an *a fortiori* proof that his optimism was not altogether unjustified. And not only has this echo confirmed my confidence in the readiness of all those varied sections of society and opinion to learn, but a response to a book like this can become in itself a factor in the sociological situation by giving encouragement to those who, though not requiring instruction, yet feel themselves isolated and discouraged by affecting the relative balance of mental forces in society and by giving encouragement to positive tendencies.

None the less, I do not conceal from myself that the outward success of a book of this kind should not lead to an intemperate optimism. Doubtless it has found a number of readers who have perused it thoughtlessly and ineffectively and for such I feel certain I have written in vain, but perhaps a deterioration of the general world situation will open their eyes. Furthermore it should be taken into account that Collectivism has revealed itself as a highly infectious epidemic in the whole Western Hemisphere and one which can be resisted only by the strongest, or by those whose brains have become immune through an earlier attack. It would seem almost as though the experiences of one country were incapable of being learnt by others in any circumstances and that those who will not learn are determined to go through the phase of the collectivistic experiment. At all events we can be sure that wide circles will be unable to decide one way or the other. Hence it is so much the more important that leaders and responsible people should make a stand.

The fundamental attitude of both the constructive and the critical parts of my earlier book might perhaps be described as a Liberal-Conservatism. Together with the most unsparing criticism of the false steps and faulty developments of the Liberal Age is combined the strongest appreciation of what was of importance, of something which upon closer consideration may be regarded as important at all times, but especially so for our Christian civilisation, and which can be expressed: "Un bon Chrétien est un libéral qui s'ignore." Thus a careful reader of the celebrated but much misunderstood papal Encyclical "Quadragesimo Anno" will find a social and economic philosophy expressed therein which at heart comes to much the same conclusion. In the narrower sphere of economics such a programme signifies acceptance of a market economy whilst laying aside a worn-out Liberalism and a fundamentally unacceptable Collectivism. In the search for a third alternative the Swedish economic Historian, Eli F. Heckscher in his excellent book on Mercantilism (Jena, 1932, I, pp. 448-449) on the subject of Occidental economic policy since the close of the eighteenth century, writes as follows: "The old method (i.e., the mercantile W.R.) would have attempted to stem upheavals, the victorious new (i.e., Liberal W.R.) method allows these free play . . . The third alternative would have been neither to hold up the course of events nor to leave them to themselves, but to steer them in an orderly direction—this method was never tried . . . The correct solution would have proved of incalculable value to humanity. It is to be hoped that human socio-political talent and skill will be developed and produce fruitful results in the future."

A conception of this nature must open a campaign on two fronts; against the defenders of the "status quo" of a decayed market economy and against collectivists of every type and degree. Now since both these opponents are at enmity with each other (although this mutual hostility is often simulated) a highly complicated situation is often apt to arise in which one opponent views with satisfaction attacks upon the other. Despite my precaution against my book becoming a quarry from which anyone could hew anything which suited him while throwing the rest aside as of no use, nevertheless parts of it were at first quoted with approval by Socialists. But after a while it emerged that my book forces the Socialist to adopt a serious and fundamental attitude in the event of his being a non-totalitarian, who would limit Collectivism to economics, whilst remaining democratic and liberal in all other respects. Radical as are both the fundamental attitude and the programme of my book, none the less between it and Socialism (in my conception of the word which can be understood only as opposition to "Market" economics or to "private enterprise") there

exists an insurmountable barrier which will force the socialist either to accept my argument or else combat it *a tout prix*.

I do not feel that this acknowledgement makes an undue demand upon the socialists. Indeed I have endeavoured to do justice not only to their motives but also to their anti-capitalist criticism. Hence it is difficult to see why a socialist in so far as he stands above Marxist party doctrine cannot to a considerable extent agree both with my diagnosis and my therapeutics, while wishing to maintain the doubtful right to be called a socialist. It is most gratifying that in fact there are socialists like this and others as well, who—like an English socialist critic in the English "Economic Journal" (June—September, 1943)—at any rate demonstrate their approval and who have not misunderstood the radical bias of my book. To the other socialists there remained only the choice between following the straight path of a flat denial of my argument and the crooked one of casting doubt upon the scientific trustworthiness of the author. Without exception, they have preferred the latter.

Not one of these latter socialists has really cleared up the decisive question whether a socialist economic system is compatible with a democratic-liberal social and economic structure or not. I believe the answer to be in the negative, and for unassailable reasons, as will be rigorously emphasised in the present book, both mature consideration and overwhelming experience confirm this; however since no scientific judgment is irrevocable, socialists are at liberty to resume the argument at any time.

*Surely*, all those who attach genuine importance to the maintenance of a democratic-liberal society and state system in the present crisis will feel with me that the path which has been indicated is the sole one which remains to us, a path which is anything but smooth or easy, and at least for those who lead, often a path of difficult decisions and one which, with all its turnings and uncertainties we must tread together firmly in order that we may grope forward somehow in the right direction, without allowing ourselves to be discouraged by those who fling themselves down exhausted, or by others who would discredit as false prophets those who have gone on ahead.

Now the strong reaction which my book has unleashed among many collectivists, both totalitarian and non-totalitarian, has a particular and most interesting origin. Namely, the fact that collectivists of quite opposite camps, if it be a question of the basic idea of economic collectivism, invariably form a common front against us as fundamental anti-collectivists, which demonstrates the correctness of the supposition that collectivism of whatever shade represents a definite and uniform category which must be set over against the no less clearly defined

and uniform categories of the market economy and private enterprise. However much the various subgroups of collectivists differentiate themselves, however closely related as regards our political and cultural views we may feel towards the non-totalitarian collectivists, and however bitterly the different varieties of totalitarian collectivists may attack each other, the existence of a common denominator is not to be denied. This is indeed so much the case that collectivists in both camps during the last war not only felt related to one another but they even did not hesitate to give public expression to their relationship, all of which once again goes to show what a ghastly world muddle it all is, where hostile fronts in no way coincided with military fronts, in spite of the special circumstance that in the totalitarian countries only *one* front was allowed to be conspicuous, namely the collectivist one.

If the existence of a common denominator for every type of collectivism is evident, all collectivists have this also in common, that they are all equally put out by the disclosure of this common denominator. Had they nothing else in common, they shake hands over this annoyance. This is quite comprehensible and it is worth while looking into the reasons.

Collectivism in contrast to liberalism, is a social philosophy which would extend the authority and coercive powers of the State to the utmost and hence presupposes a distinction between ruler and ruled, those who give orders and those who obey them. It belongs to that type of postulate which is indeed formulated as general but in practice is intended in the specific form, that *I* belong to the rulers and not to the ruled! So also as regards a limitation of the freedom of the press, where one does not of course insist upon this openly but reserves to oneself a very concrete notion as to who does the limiting and who is to be the limited! All postulates which are based on the exercise of force of some kind or other, in spite of all camouflage as "general postulates," are always conceived according to the formula ( $n - x$ ), i.e., all shall be subjected to this compulsion with the exception of oneself! Thus collectivism in practice always demands specifically that one be one's own subject and not one's object, otherwise it would indeed be not only uninteresting but positively repellent! But each specific collectivism must fight every other form tooth and nail while denouncing these as not genuine collectivisms, declaring that one's own is alone the true one, and that it has nothing whatever in common with the other kinds. Even this state of affairs belongs to the common denominator of every type of collectivism. Naturally no collectivist cares to admit this. Although sociologically and economically they all belong to the same category and are harnessed to the same ideology, in their specific rôles they must regard each other as the bitterest

competitors and see in the struggle with their immediate competitors the chief stimulus for their followers.

Thus a collectivist can be fairly defined as a man who, like Rumpelstilzchen in one of Grimm's fairy tales, terrified lest his name be discovered, tears himself to pieces with fury when the secret is out.

In the many discussions about "Die Gesellschaftskrisis der Gegenwart," the author's courage was praised. This praise might be considered a special distinction were it not a matter of course that intellectuals have a special responsibility. Hence I am not quite sure whether the word courage can really be used in this connection. However, it is no easy matter to call a spade a spade and to summon up the courage of simplicity or show the necessary additional boldness, to use a non-technical language.

Perhaps it is even more daring to carry out what seems to me to have become a particularly urgent undertaking: namely, to get beyond isolated social sciences and attempt a synthesis. This decision arose from a feeling which for years had impinged itself upon my friends and myself, as indeed it must have upon any thoughtful person, that to limit oneself to specialisation and detail was both useful and historically necessary, so long as the soundness of society as a whole could be safely assumed. At that time every research worker could work on his own chosen field and cultivate it with infinite care. This idyllic period, has, however vanished since today that presupposition to a great extent is no longer valid, and now that society has been afflicted by a total crisis of the severest kind, it must be dealt with again as that complex whole which it is in reality. What is now required is a synthesis on a broad front, which in this connection means nothing less than that we should emulate the best tradition of the eighteenth century. But such an undertaking requires courage to face the manifold dangers against which one must be on guard, without regard to a most thankless rôle which a scholar must assume. He must realise that apart from what fresh material he is able to contribute from his own limited specialist resources, originality will lie not in individual research but in the synthesis as such—originality which may easily be misunderstood and put on one side with unoriginal elements and very possibly pushed into the background by specialist criticism on single points. "Il est plus aisé de dire des choses nouvelles que de concilier celles qui ont été dites" (Vauvenargues).

Here I am touching on a further point. Necessary as synthesis may be, it is nevertheless inevitable that with the present vast extension of knowledge, the genuine expert can scarcely be expected to be an expert upon more than one subject. Even with the greatest diligence life is too short to permit the acquisition of that amount of knowledge

possessed by every specialist in his sphere. But it is my experience that it is just the very best of these experts who are the most ready to help with emendations and suggestions and thus to render possible genuine scientific co-operation.

The attempt at spiritual integration which I had undertaken in my former book with the courage of despair while fully conscious of avoidable and unavoidable shortcomings, was due to the realisation which could no longer be postponed, that in the present state of society all deep problems which face the social scientist, lie right across the traditional division of scientific work. Scientific treatment must be adjusted to this cross-section of problems if the gap between science and reality is to be closed. But this of course means cutting straight through layers of earlier opinions and interests within and without the sciences, if the truth is to be fearlessly served. It is inevitable that such a drastic operation must bring about a maximum of injuries. Every conceivable vested interest will feel sore including the vested interests of Science, which if anything are even more sensitive than those of economic and social life.

A method such as this of synthetic integration goes with a gradually developing process of a fundamentally new orientation in the social sciences, a process in which Radicalism and Conservatism must be combined intelligently as in practical economic policy. Once again we have reached that point in the history of the social sciences where a new mode of thought about fundamentals and a change of problems takes place. And again it happens that a striking polarity of the research temperament enters here since those who have already been gripped by the revolutionary process recognise each other as fellow workers, while the others who do not understand us *in necessariis* must find us an unwelcome disturbance in their scientific labours.

Over fundamentals—the *necessaria*—we must indeed agree. The details, however, must remain the object of the most serious study in which every avoidable talent and knowledge will be needed. Here then we have that broad field on which we must work together as comrades without neglecting to subject one another to unsparing criticism. Even so the tiresome difficulties and pitfalls of a synthesis are not yet exhausted. A book which seeks to put together into a well-considered whole that which has been separated; which differentiates, which allows for nuances and which illustrates the ambivalent character of seemingly obvious things; which would loosen petrified opinions and which seeks for new boundaries between what is useful and what is to be rejected, boundaries which cut across many a current notion in order to emphasise final values and conceptions all the more unmistakably; which in a special sense affirms and yet in another denies

the eighteenth century or the nineteenth, "competition," "private property," "market economy," "Authority" or "social" economy, in short which tends to follow the "Yes . . . but . . ." type of thought, which alone does justice to the complexity of appearances and which at the same time endeavours to define as closely as possible with an ever incomplete vocabulary and incomplete means of expressing ideas, the "Yes" no less than the "But"; such a mediatory and conciliatory book must surely be able to count upon a certain forbearance. It cannot be helped if opinions differ as to whether a jot or an emphasis should not have been taken away here or added there, or whether some line be too strong or not strong enough, or whether a qualification here or an addition there might not have been in or out of place.

Many points of possible criticism will be dealt with in the present book. But I will permit myself at this stage to make an observation which has to do with a question constantly put to me both publicly and privately by friendly reviewers. Have we not in the final analysis to do with a *moral crisis*? And ought not this to have been put into the forefront of my disquisition? It is admitted that I have occupied myself with the moral and spiritual aspect of the social crisis in a manner which is highly estimable in an economist. They argue, however, that a genuine cure is not to be found in institutional reforms but only by a deep and sincere self-examination on the part of each single individual. The only really decisive question is, out of what ultimate depths of the soul is this *Metanoia* to be produced?

Naturally I am the last person who would minimise the importance of the moral and spiritual aspects of the crisis; to give these their due place was and is indeed my desire. It is no less clear that infinitely more could have been said and far better than I have been able to do in my homely way. There were two grounds for my hesitation, a general and a personal. Concentration on the moral and spiritual aspect with neglect of the institutional would be dangerously one-sided, and in Theology would be condemned as supernaturalism or spiritualism; it would create the impression that we were mere dreamers being out of touch with the realities of life. The moral and the institutional are not subsidiary one to the other but stand in a relationship of mutual reciprocity like the Evangelists' seed and soil which must be familiar to every Christian. One cannot be separated from the other, the institutional is just as important as the moral and spiritual; fundamentally these can be conceived only as a unity. If I emphasise the institutional rather than the moral this is only on the personal ground that this emphasis suits my professional tradition. Each individual must know in what direction his talents best lie. As regards myself I would rather be a reasonably sound



economist and sociologist than an indifferent moral philosopher, and to me this decision does not seem bad Theology, since it is merely the application of the parable that we should profitably employ the talent which the Deity has seen fit to lend us.

Let us hope the present book will be understood in this sense. It continues the activities which were begun in the earlier work, and while deepening and enlarging these, it builds up on them, but takes for granted that it is unnecessary to repeat anything which has already been said. As formerly, approximately half the present book is devoted to questions of economic and social life, the remainder to the further problems connected with spiritual and national life. This task is so extensive that also in this book readers will be likely to find omissions. Indeed we can mention two here. Firstly, detail questions of the market organisation (competition and monopoly) are not handled as thoroughly as might be thought desirable. Secondly, owing to considerations of space, problems of the international new order have had to be confined to a very short chapter at the end, in which I have at least attempted to say what seemed most important. An exhaustive discussion of these problems has been given in my book on "International Order" (Rentsch, Erlenbach-Zürich, 1945).

It will be clear that the title of this book contains a double meaning, since it promises a treatment of questions fundamental not only to human society but also appropriate to "humane" society. That the "Civitas Dei" has been modestly left to other hands is a matter of course.

I can scarcely find words to thank my friend and colleague, Alexander Rüstow (University of Istanbul) for what to me is the equivalent of a ten years' continuous discussion, and for all his often pregnant thoughts, whether published or unpublished.

I owe particular thanks to Mr. Cyril Fox who burdened himself with the task of the English translation and to the publishers for having made possible this edition.

*Geneva*

WILLIAM RÖPKE.



## INTRODUCTION.

### FROM OLD TO NEW FORMS OF ECONOMY AND SOCIETY—CAPITALISM —COLLECTIVISM—ECONOMIC HUMANISM

It is now about twelve years ago, while I was a Professor at the University of Istanbul, that one day—I forget now how it came about—I came across an old Greek folksong dating from the last days of Constantinople before the Turkish conquest. It depicted the illimitable despair of beings who watched the flood of the conquering hordes rising higher and higher and it ended with this cry of resignation : “It must be God’s will that the World should go Turk.”

In truth we have all of us experienced moments during the past decade when we could sympathise from the bottom of our hearts with, the feelings of hopeless despair of those unhappy Byzantines just as with all other witnesses of the darkest nights of world history ; with the Romans in the presence of the Gothic flood, or those who lived about the tenth century and of whom Stendhal remarks that in the midst of Europe’s frightful anarchy they had only two heartfelt desires, one, not to be struck dead, the other, to have something warm to wear for the winter.

Difficult as it may have become at the present time to drag ourselves out of a tired and passive pessimism, we have known all along at bottom, that we have no right to give way to this feeling. So long as we continue to struggle against a fatalistic pessimism the main predisposing condition for its fulfilment will be lacking, namely, our own weakness and lack of will power. To fight against it is no more than our simple duty, since it is incumbent upon us as men of learning, hence as the “clerks” of contemporary society, to possess that unbending will and courage which “sooner or later overcome the resistance of a dull-witted world.” We must turn our pessimism into a source of the most robust energy true to the beautiful saying of William of Orange : “Point n’est besoin d’espérer pour entreprendre, ni de réussir pour persévérer.”

We must decidedly reject the notion that “It is God’s will that the World should go Turk.” Unfortunately, the “Turks” and the “Goths” today are neither geographically nor ethnically clearly distinguishable. The invasion which threatens our Western World, indeed which has more or less got a foothold here, comes from within. It is more of an infection than an invasion, an uprising largely within our own hearts than a threat from without ; a creeping paralysis of our innermost faith, of our convictions and the institution of society, than a sudden catastrophe like the conquest of a city.

This is the reason why it is so extremely difficult to define the modern "Turks" and "Goths" or describe the danger in concrete terms. There only remains then for us to denote by the use of an abstraction, over which opinions will certainly differ, and which only obtains its intrinsic significance from its accompanying and unspoken associations. The more an abstract conception of this type is deepened through the efforts of all critical readers, and by means of literature is brought closer in its fundamental content to the individual, the less should it be necessary to define it anew. And let us hope that in due course common interpretation will be attained. If we then describe the deadly danger which threatens our whole Western civilisation as *Collectivism* we do not doubt that we shall be fully understood by everyone. We are surely within our rights in speaking of Collectivism as the fundamental and mortal danger of the West and in describing it as nothing less than political and economic tyranny, regimentation, centralisation, the despotic organisation of every department of life, the destruction of personality, totalitarianism and the rigid mechanisation of human society. And we do not doubt that we can count upon general agreement when we say that this resulting insect State would not only destroy most institutions and values which comprise a development of three thousand years and which, with a conscious pride, we designate Occidental civilisation. It would not only rob society of that organic structure, and internal support which give it its stability, but above all it would take from the life of the individual just that essential purpose which only freedom can bestow; and with the loss of individual liberty every vestige of intrinsic worth and dignity would perish from the earth. In speaking thus we are expressing convictions which comprise the very core of Christian thought and which must perish with it.

We can agree in all this with a socialist of the non-totalitarian type—with a British Socialist or "social-democrat" in the continental sense of the word. Distinctions, that is to say, must also be made in the collectivist camp. We must not regard them all as a single revolutionary mass. On one side are the revolutionary and totalitarian collectivists who are prepared not only to put up with the undemocratic and anti-liberal consequences of economic collectivism but who actually welcome these; on the other are those non-totalitarian and evolutionary collectivists who are just as anxious as we are to avert the deadly danger contained within the political and cultural consequences of economic collectivism.

It is difficult to see how with collectivists of the first kind either understanding or even a fruitful *modus vivendi* can be reached. With those of the second type we should with our mutual faith in the

ultimate values of our civilisation and in our passionate dislike of anti-democratic and anti-liberal social and national systems as a general rule be able to feel in sympathy. What differentiates them from us is something else. It is not only their belief that collectivism can be limited to the economic—that is to say to the most important everyday sphere—without endangering other spheres, but just their conviction that collectivism is indeed necessary in this very sphere so that human values in other directions may be preserved and human liberty brought to fulfilment. Whether this belief in the possibility of separating economic from political and cultural collectivism is well founded is the question at issue between us and one which ought to be settled in a peaceful and dignified discussion. This depends of course upon whether they are in earnest in their belief in European culture and the maintenance of a democratic-liberal structure of society or whether it be not merely a question of a light intellectual burden which, if one were driven into a corner, might be thrown away without worrying overmuch.

While we may leave the totalitarian collectivists to the judgment of those who possess a genuine feeling for western civilisation we must utter a very serious warning to the non-totalitarian as regards the unheeded consequences and effects which they themselves so heartily dislike. I am weighing my words when I declare unequivocally that their opinion is the most fatal and tragic mistake of our time, and I say this as someone who has shewn both respect and sympathy for the ultimate motives and aims of these non-totalitarian socialists and who has not allowed himself either to be misled through obstinate lack of understanding or discouraged by unfriendly attacks. Is it not a supreme tragedy, indeed one for which we must all of us atone, when people whose sincere struggle against despotism and human degradation we cannot doubt, do their utmost and with enthusiasm, to further a development which is a prime cause and chief characteristic of the mortal disease of our society? A development which is indeed an important part of the general collectivistic decay of the society and which has led us for half a century step by step to socialism and likewise to circumstances far worse than anything which has been imputed to the most unbridled and Manchester type of capitalism? Has it escaped these people that for half a century we have been living in an age of increasing collectivism? Or would they maintain that the frightful characteristics which we blame on to collectivism and pre-collectivism are not to be attributed to the principle but to faulty methods or to the wrong people in the wrong place?

To get to the bottom of all these questions—and that we must do—we shall have to stand back and try and obtain a clear picture. Thus

we must begin with an analysis of that particular economic system of which collectivism is its very antithesis, and the failures and shortcomings of which it is to put right. It is that economic and social system which, to use a word invented by the socialists, we describe as capitalism.

### ECONOMIC ORDER AND "CAPITALISM"

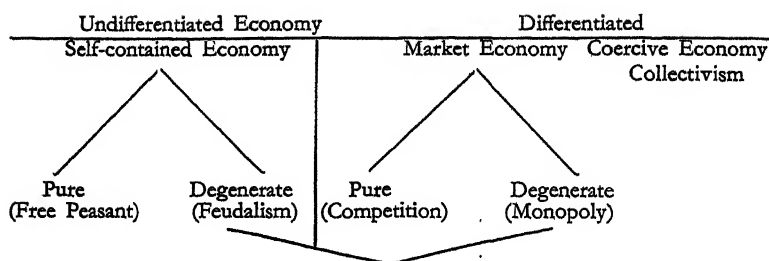
Now here we are at once faced with a difficulty. That much abused word, that well-worn coin, "Capitalism," contains so many ambiguities that it is becoming ever less adapted for an honest spiritual currency. It is liable to become a mere word, lacking any coherent meaning, with which, as with Hegel's unhappy and obscure mode of speech passed on to us by Marx, one can perform the most astonishing conjuring tricks. This is carried to such lengths that the abstract notion, "Capitalism"—with that logical jump denoted in philosophy as conceptional realism or "fallacy of misplaced conception" (Whitehead)—becomes personified as a mystical being to whom one attributes will, consciousness and purpose. It is said in effect, "Capitalism makes war," that it hatches every sort of conspiracy or that it usurps to itself the leadership of the nation.

We face these difficulties best by leaving the expression "Capitalism" on one side and starting with a neutral and unencumbered conception, namely that of the economic system, by which we understand those principles according to which the economy of a nation works. In this sense any economic system is the answer to the question how the elementary problems of whatever kind of society shall be solved. These elementary problems which in all circumstances and at all times have demanded some sort of solution all lead back to the ultimate question; how are the means of production over which society disposes to be used? Shall we produce this or that? And how much of this and how much of that? How and where shall it be produced and in what manner should we direct the means of production to immediately consumable goods or to future capital goods? This question of the What, How much and the How of production is what we describe as the *economic plan* (production plan) of society, and we must now ask ourselves what possibilities there are of solving this fundamental problem of economics.

The list of these possibilities is astonishingly limited. It is comprised in the three types, the self-contained economy, the market economy and what may be called the coercive economy. Every economic system which we have seen realised, whether it be under Hammurabi, in ancient Rome, in Europe of the Middle Ages, in the

Australian Bush or in modern Europe and America, is characterised by the choice of one or other of these three forms. Let us consider them more closely. The self-contained economy represents the solving of the problem within the self-sufficient, undifferentiated economy of the peasant family producing for its own account, where the economic plan is consciously drawn up and executed and producer and consumer are one and the same person. Here the case is clear, simple and explains itself. It is quite the other when we turn from the undifferentiated natural economy to the differentiated, i.e., to the dense and widespread net of an economic system depending on the division of labour. Here the problem is in effect extremely difficult, but every possibility is exhausted by means of the market economy on the one hand and coercive economy on the other. Either the What, How Much and How of production will be decided by the mechanism, as complicated as it is efficient, of the pricing process and the play of supply and demand of a free market, or else at the bidding—to be implemented by punitive sanctions—of a despotic authority. A third way there cannot be, any more than it is possible to do more than either shut or open a door. Both systems—the market economy as well as the coercive—provide a solution of the problem of the economic plan, so that, in this sense, they are, of course, both planned economies. In the case of coercive economy, however, as opposed to the market economy, just those who ought to be are not consulted, namely, the whole body of consumers. Thus the market economy belongs essentially to a liberal social structure and one which respects individual rights, whereas the coercive form goes with a social system which is illiberal, anti-democratic, collectivist; it is one which ignores individual rights, which proclaims collectivism as its aim and which would place a small governing minority over everybody else.

When we attempt to piece together a coherent picture of these several possibilities we should realise that we have to divide both the self-contained and the market economies into two sub-groups, the pure and the degenerate forms. Pure self-contained economy is that of the free peasant, the degenerate form is the natural enemy—feudalism. Pure market economy comprises unvarnished and genuine competition, the degenerate a monopolistically more or less frozen market economy. Feudalism and monopoly—the degenerate forms of the self-contained as of the market economy—stand in a correspondingly close relationship to each other as I have already indicated in my book, "The Contemporary Social Crisis," and I shall often return to this in the present book. Let us now set out the results of our analysis in the following diagram which should obviate further detail.



The three possibilities—self-contained economy for the undifferentiated, the market economy and the coercive economy for the differentiated economy—have never been really properly represented nor would any one of these indicate any particular society exclusively. They will be found associated in every economic system, but what kind of economic system this is will be determined by that element which predominates. Thus it emerges in economic history that there are so many cases where no sufficiently clear form of any of our three planning systems predominates which would obviate disagreement as to whether we are concerned with an economic system based on self-contained economy (e.g., at the time of the Carolinians); with a market economy or with a collectivist economic system (e.g., Germany since 1933 or nowadays in most countries under a despotic emergency economy). Meanwhile it is clear that the Western World for the past half century with a more or less distinct idea of what it was doing has made the market economy its dominating principle. Thus the choice was made in favour of a general principle and one not necessarily bound to any particular period in history. This was not only not a mistake but historically and materially the sole proper and natural choice especially in view of the disagreeable experiences connected with the attempts of mercantilism, the forerunner of collectivism, to foist a coercive economy upon the world. There is no sense in criticising this choice of a principle and making it responsible for a development, in our critical attitude to which in many points both we and the socialists are hardly distinguishable. For this choice does not suffice to characterise the latest period of economic history in its historical individuality, its uniqueness and complexity. Meanwhile it is a matter of grasping this historical individuality, uniqueness and complexity and of distinguishing clearly the general principle which is of all ages.

*Principle of economic order and actual development* are thus two totally different things which we must keep rigorously apart. We must make a sharp distinction between the principle of a market economy as such—bound as it is to no historical period but representing rather one of



the permanent elements out of which an historical economic order can be put together—and the actual development which during the nineteenth and twentieth centuries has led to the *historical* form of market economy. One is a philosophical category, the other an historical individuality ; one is a simple structural element, the other an historical and therefore unique, a non-recurrent compound of economic, social, legal, political, moral and cultural elements, a compound which, in this highly complicated mixture of ingredients, never occurred before and will never recur hereafter.

We thus return, if with some reluctance, to so vague and abused a word as “Capitalism.” If the word “Capitalism” is to be used at all this should be with due reserve and then at most only to designate this *historical form of market economy*, or better, the historical combination which emerged in the nineteenth and twentieth centuries, but not for the characterisation of the principle of market economy as such. “Capitalism” then should not be described as a type of economic system but only as a specific epoch of economic and social history in its individuality, uniqueness and complexity.

Only if one retains this clear distinction always before one's eyes is one conscious of the fact that the principle of market economy (as a form of economic order of all ages) and the historic compound in which it appeared in the nineteenth century are two quite distinct things, and only in this way can one distinguish the essence of market economy from its historical deterioration and distortion. Only in this way we are safe from the danger of directing our criticisms to the wrong address, or of making the *principle* of the market economy responsible for things which are to be attributed to the whole historical combination ; or from a justified indignation over all its faults and failures of sacrificing what is indispensable in the principle itself, and thus incurring the risk of running straight into the arms of collectivism without taking the trouble of first being clear as to what we can expect under the collectivist principle of economics, or considering by what measures the market economy shall be freed from its serious errors and burdens. What we must reproach those with who are so busily preoccupied in preparing a better future for harassed mankind, is just this, that they seem to do little justice to the real problem and find it an unwelcome disturbance of their dreams if one tries to demonstrate to them the contradiction between their ideological aims and the plain truth of collectivism—their cure-all—after they have unequivocally condemned capitalism. They are those who take the biblical admonition that one should pluck out the offending eye too literally.

The justification for such a precise differentiation between the essence and the historical form of market economy is not affected in

any way by the fact that this distinction cuts both ways. As a matter of fact many socialists who cannot deny the justification of our distinction maintain that if one cannot put all the blame on the market economy as such for all the faulty developments of its historical form, the same excuse for the collectivist principle by a separation of essence and form ought to be made. That here also a distinction must be made is a matter of course, but it is not easy to see how this would help matters. It cannot be denied that the collectivist principle can likewise be carried out in a conceivably favourable combination, intelligently or stupidly, viciously or reasonably. But in this instance it is the principle in itself which must be criticised just as its very designation "coercive" economy implies matter for criticism. The important and constitutive principle of our historically determined economic order is the market economy, but the constitutive principle of collectivism is one in the dislike of which many socialists agree with us, namely the principle of a centralised and bureaucratic control of economy, that is to say one which excludes the market, private property and the price-freeing process and in their place would set up a coercive despotism. That is the method of collectivism, and no one of its possible varieties be it the very best can alter this fact.

As regards market economy how carefully we must distinguish its principle and its concrete form and how it is much more a matter of combinations and circumstances which, with goodwill and proper insight or under other historical combinations might have been quite otherwise, a little consideration will show. The various forms of capitalism during the different periods of the nineteenth and twentieth centuries and the forms of capitalism of individual countries during one of these same periods were so dissimilar that we have considerable difficulty in discovering among all these variants the common basic form of market economy. For instance, what have the present Swiss and the American forms of "capitalism" in common? Or German "capitalism" of 1923 with that of 1880? How would German "capitalism" have developed if say, the Hanseatic free-trade conception of economic policy had prevailed against that of the heavy industries and Prussian Junkers? If Prussia had become a country of small farms instead of large estates and German heavy industry had not enormously expanded thanks to tariff subsidies and a legal and economic system friendly to cartels? What would have been the fate of "capitalism" in all countries without the feudal absolutist heritage? Without a specific legal frame-work? Without the overgrowth of the heavy industries and the proletariat of the big cities? Without monopoly which weak, blind or indeed corrupt governments have permitted and even furthered? Without the sociological

blindness of a materialistic world outlook and the resultant economic and social polity? Without a terrific growth of population unique in the history of the world? Without militarism, nationalism, absolutism, romantic notions about colonies, world war, inflation, dishonest currency manipulation, reparations and migration restrictions? How would "capitalism" have developed had we had the experience and the insight we possess today as we view the horrible devastation in its full extent? How would western cities have appeared if a hundred or even only fifty years ago we had known about town and country planning? And now has it suddenly become too late to make use of this experience and this knowledge, just at a time when these have been purchased at such unutterable sacrifice? And now that we have fortunately acquired these do we really wish to fling ourselves into the arms of another economic system from which all experience and every instinct would bid us recoil in horror? Or will people push the onesidedness of a specific historical—the so-called economic—point of view to an absurdity by having us believe that all those disturbances burdens, and faults of the market economy are but the final consequences of its own principle, the world war no less than the botched lay-out of so many great cities in the world; currency depreciations and migration restrictions?

It is immaterial for our purpose, moreover, whether all those faulty developments were predetermined and necessary or whether we were free to choose another way. This metaphysical quibble is devoid of interest. But what does concern us is that those things were in no way the necessary accompaniment of the market economy but ingredients with which we must dispense today if we desire to make it stable, just, satisfactory and appropriate for human beings. We do not want to remodel our grandparents and great grandparents but ourselves after having been shewn by them how things ought not to be done, while in some other respects it behoves us well to learn from them how certain things ought to be done.

All this is said in order to show where the real responsibilities are, but not in order to whitewash or hush up mistakes. Of course, you can make "capitalism" responsible for all the suffering, injustice and evil in the world if you just define it in that way, which would be both foolish and fruitless. Our intention was rather to strive for precision and avoid confusion by reserving the term "capitalism" for the *historical* form of market economy. But we have not the least doubt that this historical form is charged with heavy liabilities, and we would be the last to deny that the debit balance which has piled up urgently requires adjustment. This is not the place to go further into details as regards the items. Let it suffice that we recognise this

debit balance, and since we are requiring its adjustment we are in no way behind the socialists in our anti-capitalistic radicalism. On the other hand, however, we are no less decidedly conservative in our view as regards the principle of the market economy as such. Since the adulteration and distortion of market economy through monopoly and irrational state interference are what we are concerned with, and since it is less a matter of merely preserving the market economy than of purifying it and making it stable and durable, our conservatism amounts to a kind of radicalism. How radical it is may be seen from the opinions of those who declare that we are Utopians because we are so bold as to swim against the stream.

The severity of our criticism of historical "capitalism" and our determination for redress on the one hand, our energetic affirmation of the principle of market economy on the other are the two focal points round which our reforms should centre. Only when this basic principle has been grasped is it possible to understand the way along which we are trying to grope over and above capitalism and collectivism, and which without any pretension to originality I have designated the "Third Way," or "Economic Humanism."

Once these simple ideas have been imbibed there should be no difficulty in realising that the fate of our civilisation depends upon our clinging to the principle of the market, since the alternative can only be the collectivist despotic principle. And if one has realised further that the market principle offers an astonishingly broad and rich field for reform, then all serious objections must fall to the ground. Thus it becomes clear that it is mere waste of time and effort to criticise our fundamental approach and that it would be better to preserve the very limited time at our disposal and the no less limited amount of available intelligence for considering the immense difficulties of the matter, difficulties which are far beyond the power or competence of any individual.

What many people appear to lack, however, is the requisite philosophical capacity to picture the working out of the market principle other than in the historically wholly "accidental," polluted and dislocated form we have experienced hitherto. They are just like those Chinese who, described by Charles Lamb, accidentally discovered roast pork through a hut being burnt down and so came to the conclusion that if you want roast pork you must set a house on fire, although not only reflection but also experience should have shewn that this would be a pointless complication. What in effect we must grasp is that we need not abjure the delights of roast pork—in this instance market economy—because we very properly object to starting a conflagration.

## COLLECTIVISM

Here let us pause and clearly define our position once again. We are wholly one with collectivists and socialists of all shades in our dislike of capitalism in so far as it is not market economy as such but the entire historical setting in which it has developed which is comprehended. No more than anyone else do we wish to be charmed by capitalistic apologetics. But here our ways part. We should certainly like to get the better of capitalism but while trying to soar up above it in no circumstances do we desire to risk a fatal fall. This would undoubtedly be our fate if we were to sacrifice together with capitalism the principle of our economy, namely the market, and adopt the collectivist principle. In order to recognise this danger it is of great importance to set these two principles over against each other and not to confuse the market principle with the historical compound within the framework of which it has hitherto developed. There is perhaps less danger of our subscribing with our eyes open to full-blooded collectivism; this would be something which not even the majority of socialists—at any rate not those of the non-totalitarian persuasion—would wish. The danger is much more threatening in the democratic liberal countries through piecemeal and occasional concessions into which we allow ourselves to be drawn without considering their consequences or their slippery nature and from a creeping form of gradual collectivism with its abundant wardrobe of ideological clothing. This is precisely the path along which the world has come to grief, the path of pre- and quasi-collectivism which leads finally to total collectivism.

Now why should collectivism signify a catastrophe for our civilisation? I have already answered this question in my earlier book on "The Contemporary Social Crisis," partly with old and partly, perhaps, with some new arguments so I will content myself here with bringing out a few of the more important points and enlarging those with which I dealt before.

We will begin with the prefatory remark that it would be a most inappropriate and ill-timed proceeding to represent collectivism as a youthful and energetic movement on the offensive and pregnant with all the hopes of the future but market economy together with its accompanying ideas (Liberalism) as a thing of the past and condemned by history. Far too many people still seem to think all that is necessary is to demonstrate all the faults—real and imaginary—of the market economy and all the errors of liberalism in order to render collectivism under one or other of its guises the unquestionable solution for all problems. Liberalism in its various stages of decrepitude is being exposed to scorn and ridicule; it has become fashionable to speak of it

with sarcasm mingled with pity, without in the least suspecting how much this habit is ill-placed. People are never tired of telling us how far the market economy is from a possible or even more an impossible perfection and are then surprised to note that this indictment of historical Liberalism instead of crushing us gives us the clue for an unsuspected answer. Our reply runs: "We would like to take you at your word and we too are prepared to examine every possibility of an improvement if you for your part will spare us your collectivism, planned economy or however else you may care to describe it and will propose instead measures which would render market economy a working proposition. We know quite well why we are making this demand and are now getting to the bottom of the matter."

Why does this indictment of Liberalism and the market economy leave us so unmoved? For the simple reason that such a proceeding appears to us as wholly unreal and to belong to an out-of-date phase of the discussion. It is as though one were to use the shortcomings of matrimony which are known to everyone as an argument against the institution of matrimony, and that at a time when the dissolution of the family is the real problem. The immediate reality which surrounds us today is just the very opposite of the liberal ideal; it is the world of monopoly and collectivism with which we have to do and which we are gradually beginning to see through. It is a world of which those people who are closest to the above mentioned reality have become more and more weary.

We said that the basis of the argument had fundamentally shifted. It was all in accordance with the situation prevailing at the beginning of the nineteenth century that the Genevese economist Sismondi should have submitted the then just developing new economic system to a sharp criticism and made an impression which is still lingering today. Since then almost a century and a quarter has passed during which period prosecutor and judge have more and more tended to exchange their rôles. It would be an instructive intellectual exercise to picture collectivism and not the market economy as the form in which the age of technology and the division of labour had originated over a century ago. Then their rôles would have been exchanged with collectivism on the defensive and market economy on the offensive. Now at last after experience of both systems it is possible to make a comparison. We have watched both collectivism and the market economy at work. The hour has come for a new Sismondi—a Sismondi as the critic of collectivism not of market economy. If only a few realise it yet their number is bound to grow increasingly.

The renaissance of Liberalism springs from an elementary longing for freedom and for the resuscitation of human individuality. It is a

Liberalism which should not be regarded as permanently economic. Hence it does not fit any of the patterns which the critics of historic Liberalism have cut out for themselves. He who would still regard Liberalism as predominantly an economic philosophy is himself caught in an economic blind alley. This outlook today is utterly out of date and quite misses the point. However the purely economic argument of Liberalism be put, and however prepared we may be to follow the usual criticism of it, our conviction remains unshaken that a free market economy as the basic framework of the economic order, is the necessary *economic* prerequisite of a society which is liberal and democratic in the political and cultural spheres of liberal and democratic society. Political and cultural Liberalism is the primary and economic Liberalism the secondary consideration. This primary *Liberalism* might be described as *sociological*. The arms forged for the attack on the old purely economic form are blunted in face of the new. Nothing is further from the truth than the view that we are able to estimate the significance of economic freedom solely from the point of view of mere utility. To do this would be to ignore completely the supreme decision to be reached in our time, a decision which must comprise the future structure of our society as a whole, including only among others its economic aspect and which admits no longer of any opportunities and of any attempt at shirking the fundamental issue. If we for our part wish to avoid such blunders, we must take into full account all the shortcomings of market economy as such or of that historical form which we designate "Capitalism." But we ought to stick all the more firmly to the basic principle of the market economy as such, since we know full well where concessions to collectivism will lead us. From this dualism—a frank admission of the shortcomings of market economy on the one hand and our rigid determination to cling to its principle on the other—follows the difficult task we have set ourselves: the problem of a Third Way.

This preliminary survey explains why we refrained from laying the emphasis on the question of the productivity of a collectivist economic system. Not indeed because we desired to evade it as inconvenient but on the contrary because everything of importance has already been said and we should be untrue to ourselves if we were to view the question of material productivity as the sole or even the decisive factor. But since this is nevertheless of sufficient importance we will begin with it according to the sound dictum "a minore ad majus".

In recent years several economists in many countries, with an acuteness to which even intelligent and well-informed socialists had to pay tribute, have furnished the conclusive proof that with a collectivist economic system devoid of a free price structure, the sole apparatus in

a highly differentiated society for making economic calculations is missing. It is no longer possible to calculate, e.g., to make use of the invariably limited productivity of society in the most economic way. One must thus find some method other than money calculation and comparing prices for ascertaining whether utility and costs stand in the most favourable relationship to each other, whether the precise limited means of production—labour, soil, and capital—are being employed to the best advantage, whether some other way of using these might not be more profitable, in what relation the production of capital to consumption goods should be determined to correspond with a constantly changing condition of supply and demand and a great deal more. These are all problems in the solution of which untold individuals count through co-operation in the market, whereas in a collectivist economy these problems must all be solved centrally and consciously by a single head watching over the whole economic process down to the very smallest detail.

This task is simply insoluble. To comprehend this impossibility of a rational control of economic events in a collectivist economic system one has but to picture the helplessness of an economic central bureau having to find its way in a maze of the most complicated economic occurrences without the compass of the price structure. The economic control is bound to become hopelessly irrational. This refers especially to the opinion of men trained in the natural sciences, maths, and technical professions, who believe that one can make calculations with any sort of objective physical units of value, an opinion which betrays a lack of education in economic affairs, that of someone who has never grasped that in the economic sphere it is not a question of mere hours of labour, horse-power, weight, or volume, but an appreciation of subjective value which is decisive. Alas, with some people these purely materialistic views would appear to be ineradicable.

What these theoretical considerations mean in practice can now be studied not only from the experiences of Soviet Russia, but also from the more recent economic developments in Germany. A collectivist economic system will attempt in the beginning to continue the economic process on the basis of prices and costs taken over from the market economy, as happened in Germany by means of the price stop in 1936, and to maintain these as rigid as possible in an attempt to stave off economic chaos. Were all economic data to remain unchanged, e.g., if everybody were to remain where they were ; if furthermore they were to consume the same goods to the same amount ; if they were to produce year in and year out according to the same method ; if the harvest were every year to supply the same quantities ; if in each year as many people died as were born, etc., etc., in the above completely



rigid circumstances the price structure would still retain its significance. Since however this presupposition is more utopian than ever today it is inevitable that sticking to historical price levels is bound to lead to ever greater dislocation of the economic system. Economic calculations become more and more inaccurate because prices and costs are becoming more and more artificial, and the longer the time which has elapsed since the abandonment of the market economy so much the worse will circumstances become. This is precisely the picture that developments offered in Germany after 1936.

In the past the critics of collectivism fancied they could torpedo it when they maintained that humanity was not sufficiently unselfish and self-sacrificing to give of their best without the spur of self-interest. This criticism found popular expression in the saying, that men would have to become angels before they were ripe for collectivism. Now this question of motive certainly has its importance. Certainly we should not under-estimate the strength of devotion to duty, of ambition, of a purely sporting zeal for competition between individual businesses in a collectivist state ; of loyalty in its officials or the fear of punishment ; and furthermore, even a collectivist state can develop an astute system of rewards and inducements to work. And yet one must seriously doubt whether the above motives would produce the same results which the hope of profit and fear of loss effect in market economy where every economic activity is submitted to the pitiless and purely objective test of the market, e.g., in competition with similar activities and struggling for recognition through demand. The usual reply to this in some socialist circles is that the increasing tendency of a separation of production and ownership in the modern limited company has already largely rendered the "capitalist" superfluous, and that there is no longer any real difference between a Board of Directors appointed by the shareholders and directors appointed by the state. Those who talk like this misunderstand not only the function of the limited company where the shareholders bear the risk of the undertaking and thus in their choice of and by their constant control of the management have a very different responsibility from that of the "responsible only to God and to History" State. These critics also forget that so long as the market economy exists, all limited companies whatever be the weaknesses of their organisation, are subject to the regulative principles of this particular economic order. There are of course exceptions where the state may take over the function of the shareholders and appoint a reliable directorate without doing too much harm but this does not affect the fundamental question. And there is no reason to anticipate a greater willingness to work on the part of labour in a collectivist state, for one cannot expect one single hammer

blow will be struck with greater enthusiasm for that abstract employer the state—even when professing to be the instrument of the people or the proletariat—than for a specific firm, Messrs. so and so. Since in a collectivist state the workman is subjected to the oppressive power of one single employer and therefore his choice between various employers prevented, as also his normal advancement in economic life, there exists a positive inducement for slacking.

In this connection let us consider the following. The most elementary psychology teaches that a game without a stake is likely to be tedious. Thus the mainspring of all economic activity is the stimulus of a risk—cashing in a profit be it ever so small which more than compensates for the fear of loss. Observe the lively pleasure of a small shopkeeper at his telephone booking an order which is for him a proof of success and registers a small profit, the spending of which he is already pondering in his imagination, and try and picture the boredom of a government official receiving applications and petitions. Small wonder that one is “expedited” in the office but “served” in the shop. The official must purchase security of tenure with insipidity of occupation and with the uninspiring atmosphere of officialdom. The drab single-toned dreariness which socialism would bring into our lives and the happiness it would take away, are immeasurable. All visitors to Russia capable of forming an opinion are agreed in their description of the total lack of colour and the general drabness of daily life in that country. On the other hand, diligence and a sense of duty are most noticeable where laziness and lack of a sense of duty come most directly in conflict with a sense of responsibility and self-interest and cease to be obvious in the degree in which this connection is less direct and more collective. A dependent worker, salaried employee or official would sooner produce a medical certificate than let his own garden run to seed. Every country practitioner knows that during harvest time he will have least to do, not because fewer people are ill but simply because at this time the farmers simply cannot afford to go sick. One could make a list of those occupations in which (chronic alcoholism apart) slackness and letting things go are unthinkable and in which the work is honestly and carefully carried out under all conditions. There will always be occupations which require no inducements of moral preaching, distinctions or premiums for production and where all pretences are seen through, occupations of responsibility and self interest, and finally those which one can scarcely even picture in a collectivist state.

We are quite right if we regard with deepest mistrust the non-material inducements which a collectivist state has to offer, and we should have very similar feelings in a railway train driven not by an engine driver

risking his own person, but by electricity from some station a long way off. The decisive point is, however, that our mistrust in the moral inducements in a collectivist state is still far exceeded by our total lack of confidence in the *intelligence* of even supermen to solve the difficulties of organisation of a collectivist directorate. Men would have to become not so much moral as intellectual angels to manage collectivism rationally. It is this which we have done our best to make clear.

A grasp of this fact which cannot but impress itself upon all thoughtful people who are taking cognizance of contemporary happenings, is now however being clouded by a misunderstanding to which support has been lent through the development of a dubious economic theory, namely, scientific exactitude. This is being dangled in front of us by means of mathematical demonstration and the furbishing up of theorems. Whoever submits to this procedure without taking into account its abstract hypothetical if not indeed trifling character easily succumbs to the mistaken idea that all these equations, curves and coefficients are something more than confusing demonstrations of economic functional relations which are valid only under certain abstract assumptions, or else succumb to the belief that the results of a highly complicated mathematical proposition can be anything other than the working-up and demonstration of economic facts which are already obvious and which are not objective constants like the force of gravity.

If the factors of the price structure are represented by mathematical symbols and equations formed with these symbols, which then happily for the mathematizing economists equate, the naïve opinion is then very likely to arise that these equations really work out! Having gone thus far one will feel inclined to take a further step and to expect a retinue of gifted mathematicians, statisticians and engineers with the assistance of these equations to be able to direct a collectivist economic system in a manner similar to the market economy. Thus at this point already we meet with the close affinity between the scientific mathematical engineer mentality and collectivism, an affinity which achieves its most intimate degree in the "Technocrats" and in the astonishingly numerous engineers who have been propagating the doctrine of a planned economy.

Such calculations lie quite beyond human possibilities, firstly, because it is unthinkable that we could previously ascertain all the requisite data, secondly, even if we were to possess such data more and more complicated equations would have to be solved than a man could master in the whole of a lifetime. Here exists a serious misconception of economic theory, largely the fault of those economists who take delight in the mathematical demonstration of their theories and who

afterwards should not be surprised if the uninitiated take their equations more seriously than we hope was intended. The theory of prices certainly teaches us to comprehend the factors which under certain postulates (free competition or monopoly or an intermediate form ; a specific ratio between supply and demand, etc.) determine the true economic price at a given moment, but it gives us no possibility *whatever* of really calculating this price. This is a calculating trick which the market alone can perform. There is no other method than the market for determining the correct price, i.e., one which corresponds to the market equilibrium, the rate of interest, the rate of exchange, etc. We are not able to reckon all these factors beforehand in some way or other mathematically or statistically but can prove them only after the event ; that is to say, after the market has done its bit.

An analogy may clarify these statements. Physiology can certainly give us more or less satisfactory information concerning all the factors and conditions which determine the degree of blood pressure in the human body and one can imagine an ambitious physiologist who would demonstrate these factors with mathematical symbols and trot out complicated equations. But nobody would of course mistake the hypothetical character of this type of mathematical physiology and really believe that any human being was able to calculate blood pressure exactly at a given moment on the basis of physiological theories. It is a material problem which only the body itself can solve. The limits of physio-biological knowledge are also those of economics. We may compare autocratically controlled collectivist state economy with the "Homunculus" of Wagner's retort.

What we mean is this. Even without the practical experience we have had of collectivist countries, no one would deny that people in a collectivist régime are as busy as anywhere else in our time as well as in the collectivist empires in the past. The Great Wall of China or the Egyptian pyramids are witnesses to what can be achieved by an autocratic state. In fact none of these constructions owed its origin to the principles of the market. But the fact that it is possible to execute gigantic concrete works and harness the last available manpower astonishes us just as little as the successful building of the Cheops pyramid. What is astonishing in all these cases is the incredible social pressure and the gigantic capacity for restricting consumption which render such plans possible and the politico-social system which withstands that pressure. What we admire in all these cases is nothing less than the purely technical productivity, i.e., simply their physical capacity to produce any things. This should in no circumstances be confused with economic produc-

tivity, i.e., with fertility in the production of those things which human beings really desire, i.e., the adaptation of production to the requirements of the whole population and not merely to the fancy of the autocratic rulers of a collectivist state. Here again it is the scientific and technically educated man who most often falls victim to this confusion and who is thus specially liable to the collectivist infection. This is the best reason for mentally arming himself against this danger.

Economic productivity in contra-distinction to technical can be measured only by the production of those things which meet the scale of values and requirements of society as a whole. It presupposes that adaptation of production to needs which we called the problem of planning. It is just in the solution of this problem of planning as an economic problem of computing individual values and needs where collectivism necessarily fails, notwithstanding spectacular success in building pyramids, great walls or huge concrete fortifications.

We said that collectivism must fail *necessarily*. In order to grasp this, we should remember that the problem of economic planning can only count as being solved when the What, How and How Much of production have been determined by those whom these things alone concern, namely, the total mass of consumers ; or—to render explicit a word which today has become almost one of opprobrium—by those whose needs production is intended to satisfy. The solution of the problem of planning thus also presupposes that the “economic will” is autonomous and is formed by the democracy of consumers as a whole. All ought to have the unlimited possibility to make their preferences a determining factor of the economic “plan” of the community. Anyone who possesses the most elementary knowledge of economic theory knows that this constitutes the very essence of market economy. That is its definition. In a collectivist economy this is utterly precluded. Since the leaders are no wizards they lack the necessary omniscience and they have lost even the chance to ask the population whether of all the millions of goods more of these or more of those, and how much more of these or those ought to be produced. Even if the intentions of the leaders of a collectivist state were the best in the world, instead of autonomy of the economic will it would be heteronomy, instead of the democracy of consumers a despotic autocracy. If production can no longer be elastically adapted to consumption consumers will have then to conform to production. One hears now suddenly on all sides of the control of “consumption” and so we reach a position in which the consumer finds himself looked upon as an unmitigated nuisance and for whose extirpation unhappily no means have as yet been discovered, since after all human beings must consume a certain minimum in order to be able to construct Cheops pyramids or modern cement buildings.

Collectivist economy must always be coercive and can never be anything else. About this there can be no question. No other system save that of market economy which conveys every particle of demand as an immediate impulse to the producers has been or can be found for getting consumers constantly to vote upon the use of the forces of productivity. That which in a collectivist economy necessarily takes its place is that procedure which has been designated the "Politicalisation" of economic life. This means nothing less than that the most important decision in the daily life of the community, the question of the quantity and quality of production, can be determined not democratically but only despotically. This decision taken over the heads of the population must now be carried through with the autocratic powers of the state. Now since this is a decision which cuts into the most sensitive private inclinations and interests it has to be executed by means such as are available only to a state bent upon using its utmost to beat the drum of propaganda for its despotic decisions, to veil its arbitrariness, and what is more, to scold its victims according to the phrase of Molière: "Qui veut noyer son chien l'accuse de la rage." Let no one be so naïve as to imagine a state of that sort could limit its autocratic character to economic life but in other spheres such as those of politics and culture show a benign, liberal and democratic face! Nation and society always form a single whole in all spheres. It cannot be despotic in the most important and liberal in the rest.

From this follows the simple decisive objection to collectivism. Collectivism implies insufferable state tyranny just because it lacks the necessary omniscience and is utterly irreconcilable with a democratic and liberal structure of society. So much so, that collectivism can be effected only by the assistance of a totalitarian and autocratic state. Just as all the different spheres of society bear a strict relationship to one another, the market economy corresponds as precisely to the political structure of a liberal democratic state as a despotic coercive economy (collectivism) to an illiberal and autocratic state. Collectivism is economic Napoleonism, which no one understood better or admitted more frankly than Saint-Simon, the father of socialism and a planned economy.

Let us examine this idea from a different angle and ask ourselves what the collectivist solution of the eternal problem of planning really amounts to. It means that a specific plan for economic production is presented, i.e., that the What, the How and the How Much of each particular type of goods to be produced shall be decided from above. But how is one to achieve by the democratic method of direct voting or parliamentary representation a more or less satisfactory similarity

of opinion where it is a question of millions of conflicting interests? And how prevent the clash of opinions from jeopardising the national structure? Something of the kind is possible for any length of time only within very small and compact communities such as the family or religious communal sects, and within a modern state only during times of grave emergency like war when the people are faced with the clear alternatives of national survival or destruction. In times of crisis in which a nation can temporarily almost achieve the communal compactness of the family a certain collectivism is possible on a democratic basis, since here an unequivocal and generally accepted aim exists. However this exception emphatically proves the rule. And vice versa we can now understand the tendency of every collectivist economy to plan undisguisedly for war as has been revealed in such a remarkable way by Germany and by Russia. Now this is a point which has not yet been sufficiently made clear. It is quite true that the devotees as well as the opponents of collectivism are one in their opinion that market economy belongs to civil life and is not fitted for the tasks of total war today. Total war and collectivism are in the same bed. Everyone admits this, but it is a point which must give cause for thought to those who incline to collectivism as opponents of *war and imperialism*. In fact a modern war can no longer be conducted within the framework and with the methods of market economy. It demands rather just that war collectivism with which we have become familiar today in all countries.

Indeed the conclusion cannot be far from the mind of the collectivist opponent of war that it is quite to the credit of market economy to be demonstrably unsuited for the preparation and conduct of a modern and destructive totalitarian war and not to lend itself to such a sorry business. But strange to relate many collectivists draw quite another conclusion and a very silly one, namely that collectivism which has proved its worth in total war must therefore be the right thing for times of peace also. The decisive fact escapes those who argue thus that war collectivism proves itself a success only because war and collectivism suit one another, and in truth in more senses than one.

*First* of all a state of war alone creates the sociological conditions in which collectivism can be achieved without serious friction, permanent rebellion, or the strongest display of force towards an unwilling population, for only in war conditions does there exist a straightforward urgent and generally recognised aim of collective production. This is the reason why in times of war a high degree of collectivism is consistent with a democratic liberal structure whereas during peace their incompatibility becomes at once manifestly clear. From this follows the *second* point, namely, the irresistible urge of a collectivist govern-

ment to endeavour to bring about a state of war or at least a threat of war and a condition of permanent mobilisation, circumstances so favourable to collectivism, in order to facilitate its task. Now we can understand why *collectivism has always hitherto shown itself a system adapted for the production of armament and war*, for only in such a hectic atmosphere of tension and of fear and in such a sociological condition of social over-integration can it thrive. This is a very unpalatable fact which compares unfavourably with the pacific and humanitarian tendencies of non-totalitarian socialism. But what can collectivism possibly imply but the utmost increase of the power of the state? And what else can such a collectivist Leviathan signify but the most extreme nationalism, despotism and imperialism? Is it not a fact that the modern state has become a monster which is threatening to swallow us up without its being much of a comfort to realise that the absolutist bureaucratic state of today in sucking up the forces inherent in personality is condemning itself to final extinction?

There can no longer be any doubt about it; collectivism can thrive only in the shade of a scaffold. It will always run to an armaments and war collectivism in the end, and its economic planning will only work more or less when it is planning for scarcity and not for a surplus. Moreover, it possesses the fatal tendency to create these presuppositions for its functioning and to convert a surplus into scarcity, butter into guns, world economics into autarky and gold into paper money. The closer we approach to collectivism by means of an ever increasing interventionism and monopoly so much the more do the authoritative economic system and the democratic liberal political system part company, the closer we get to the "Executive" state, to whom the desires of the subject population are highly inconvenient, so much the more will Parliamentary and Constitutional crises become chronic. The old constitutional coat won't fit any longer and its seams are bursting. What we have been witnessing for some time now in so many countries is the constantly fluctuating struggle between the old democratic and liberal state system and the economic system of an ever increasing collectivism. Neither fits in with the other since the liberal democratic system of *governance* requires its economic fulfilment in the Market, whereas the collectivist economic system requires for its political life an undemocratic and illiberal despotism. A constitutional crisis and an economic crisis are thus seen to be but two sides of the same phenomenon. If the crisis in the economic system should end in the victory of collectivism so also inevitably would the governmental crisis finish with a victory for the totalitarian principle. It is scarcely necessary to repeat that these several observations do not refer to the difficult times of war with its natural tendency towards



collectivism. In such wholly exceptional circumstances there is no ground for alarm so long as we recognise that these circumstances *are* indeed exceptional, treat them as such and do not lose our feeling for the normal.

Collectivism is however not only incompatible with a liberal democratic structure but just as little compatible with a *federalistic* one. It is market economy alone which is adapted to a federative structure, while a collectivist economy is the one which is the most likely sooner or later to disrupt this. To grasp this let us consider the relations within a contemporary federacy as for instance Switzerland or the U.S.A. The closer the economic constitution of such a federacy approaches collectivism so much the more does the economic process become political, i.e., it becomes increasingly dependent upon the decision and ordinances of the politicians. Now here there are two possibilities only as regards the directing authority. Either this will be the subordinate political authority (the single state, the canton or finally the local district council) which will increasingly regulate economic life, or else it will be the superior authority at the centre. In the first instance we will observe what has become familiar to us from the most recent experiences of a number of federal nations, namely the increasing interventionism, protectionism and collectivism of the federal states accompanied by the gradual disruption of the union, in the second case however, we observe the equally familiar process of an increasing centralisation accompanied by the simultaneous destruction of the federative state system from above. In both cases federalism is the victim, whether through the dissolution of the whole into its constituent parts or the absorption of the members by the whole. So we see that collectivism and everything of the kind destroys the federal state and with it one of the most important sources of a democratic and liberal society. Collectivism whether in a centralised or a decentralised form cannot avoid destroying the federation, either by centralisation from above or decay from below, that is, by sacrificing the members to the whole or vice versa.

Thus if a federation of states is to be permanent there must be a guarantee that economic life shall be based upon the principle of the Market, that only the absolutely indispensable minimum of interference be permitted and only that kind of intervention which we term appropriate intervention. Collectivism should be barred absolutely. This guarantee must operate for the federal government no less than for the individual states. It was thus a very wise foresight, if not fully understood today, which led the founders of both the Swiss and the American constitutions to make the market principle an inviolable and fundamental principle of their constitution and for their whole

territories (Article 31 of the Swiss Constitution; 5th and 14th Amendments to the American Constitution forbidding interference with economics "without due process of law"). On the other hand it follows that the collectivist system of Soviet republics can exhibit no genuine federal structure like that of Switzerland or America. In Russia the utmost centralisation of control of the economic process presupposes a corresponding political centralisation of the most rigid type. Only a very limited amount of 'folklore' autonomy can be permitted which keeps the politically unambitious tribal minorities in reasonably good humour.

### NEITHER CAPITALISM NOR COLLECTIVISM

Now that we have expressed our views on collectivism and given full weight to its indictment, we are surely no less entitled than Pestalozzi who, after the fall of the Napoleonic System declared, "Humanity has been warned as never before," to utter similar warning today! And yet humanity lets itself be driven towards a cataract without any single one having the excuse of not knowing what is awaiting him. The arguments against collectivism are so overwhelming that it is scarcely possible to imagine how one can get away from them. If nevertheless so many of those with whom we sympathise in other matters continue in their attempts to do their utmost to preserve a more or less collectivist economic and social philosophy, then clearly their motives must be at least as strong as are the arguments contra. That brings us to the question of *collectivist motives*. It is always a particularly delicate task to try and fathom what influences and motive forces have led to the formation of our social philosophy and induced some to become liberals and others collectivists. If the present author wished to describe his own development from a village child of the Lüneburg heath through so many stages, trials and errors, books, talks, ideas and experiences to an unequivocal championship of the Liberal point of view, he would probably have to write a very complicated and extensive autobiography.

If we ask ourselves in all sobriety why someone should have become a collectivist, and above all, why in face of all the overwhelming grounds to the contrary, he should remain one and if we were to make a study of the various types of collectivist, approximately the following picture would emerge which should enable us to recognise altogether five groups of motives and as many different types of collectivists.

The *first* and least respectable group is formed here as elsewhere by pure self-interest, which characteristic can be associated with collectivist views just as with non-collectivist views. Whereas there is no more to be said about this since there is nothing specifically

collectivist in it, the *second* group offers us motives which are particularly characteristic of collectivism; the motives of ambition and lust of power. Those who usurp power and leadership, who enjoy "the sweet habit of governance" and whose design it is to bind the masses to their will—"He who puts his seal on centuries like wax" (Nietzsche)—such people will see in Liberalism the greatest hindrance to their schemes and will necessarily lean towards collectivism, something which both demands and promises the maximum of autocracy, control and organisation. In this lies a strong temptation for intellectuals hungry for notice—those "climbers" of whom J. Burckhardt (Historical Fragments, V. 114) writes: "They seize and lead this all-powerful state." This temptation explains one of the causes of the familiar fact that it was intellectuals and members of the middle classes who created and who have been leading proletarian collectivism.

This leads us to the *third* group. It is that class of collectivist intellectuals in which one so often finds a specific mentality, namely, that which we designate scientism and technicism, i.e., the mentality of an individual brought up narrowly, scientifically, technically or mathematically. Of this tendency to collectivism we have already spoken more than once and in the following chapters we shall refer to this again. In order to understand the *fourth* group, we must remember that in collectivism there seems to be at the same time hidden away a further power of attraction which one might characterise as aesthetic and artistic. If we are not mistaken, what so charms the artistic sensibility about collectivism is its apparent symmetry, its system which on paper is so beautifully rounded off; and there is perhaps also the romance in the "mailed fist" which it indeed presupposes. Frankly we must reckon with the widespread existence of a type of mind for whom the "planned" and the artificial affords greater aesthetic gratification than the spontaneous, the customary and the commonplace, even where the advertising big drum of collectivist governments does not happen to be also doing its bit. Thus it happened that the Russian five year plan excited tremendous admiration at a time when the simultaneous reconstruction of the areas of northern France, devastated during the first world war, in spite of the speed with which it was accomplished and its vast extent, passed almost unnoticed.

However the totting up thus far of the motives and types of collectivism can satisfy neither ourselves nor many collectivists. It will rightly be objected that we have not mentioned the strongest and most respectable group and in this way that we have minimised the motives of collectivism. This criticism would be justified if we were not now about to name as *fifth* and the most important, humanitarian collectivism

which derives from the thirst of humanity for equality, justice and compassion. No one will deny greatest respect to these sentiments and not wish to share them, but alas this does not preclude us from being led very much astray by them if they are not controlled by the no less worthy attributes of reason and experience. There are not a few leading socialists of our time who would seem to demonstrate the results of the course begun by Rousseau with his "*Discours sur l'origine et les fondements de l'inégalité parmi les hommes*" (1755); the defence of the Terror; the despising of freedom as a "bourgeois prejudice"; the iron determination to embellish the worst excesses of collectivist governments; the betrayal of humanity as living beings with their fundamental needs and natural rights while defending it in the abstract.

But one does not require to be an out-and-out collectivist to further the danger of collectivism. It is quite bad enough that we should not sufficiently recognise the gravity of the contemporary crisis. Far too many appear to close their eyes to the fact that the time for expedients and mere resolutions is at an end and that it is now a matter of taking radical and comprehensive decisions upon our whole economic and social system. If state interference increases, if collectivist principles be applied more and more universally, if the sector of coercive economic activity be constantly widened at the expense of the market, then sooner or later a critical point will be reached when even the small remnant of market economy will manifestly cease to function.

That is the moment when one must decide whether one should allow the economic system of despotic coercion to take over the responsibility for the whole economy of the nation or limit the sphere of coercion in such a way as to permit the market to function again. In no circumstances can we stop at this point. For instance in Germany it arrived in 1936, in France a little later at the time of the Popular Front government. Whereas in Germany a decision in favour of full collectivism was taken for political reasons, we saw in France the far-sighted attempt of Reynaud's government by discouraging collectivism to render the market economy buoyant. In the United States there was indecision until the collectivism of war there as in all other countries postponed this question. But let us have no illusions about the day coming, now that the Second World war is over, when a clear decision will have to be taken and we must arm ourselves by pondering the problem conscientiously and probing it to the very foundations.

We must begin with the firm conviction that he who dislikes collectivism must like market economy. But market economy implies freedom of the market, free prices and elastic costs; it implies adaptability, suppleness and the sovereignty of the consumer. Negatively

it implies the exact opposite of monopoly and concentration and of that anarchy of pressure groups who, like Penelope's lovers, are spreading in all countries. Market economy means that, instead of choosing a discredited collectivist principle, we select the sole other regulative one which is at the disposal of our highly differentiated and highly technical society. But in order that this principle should genuinely guarantee the regulation of the economic processes and satisfy our sense of justice it must be unfalsified and not corrupted by monopoly.

Setting up the market economy as a system of genuine competition ; this is the first distinct line in the architectonic ground plan we have to draw up. "It is a programme whose basic purpose is to stop the progress of collectivism in business and turn business back to the democratic competitive order." Thus spoke Roosevelt in his famous message to Congress on April 29th, 1938, and as there is in the United States scarcely a single person with insight who would not make such a programme his own, it is also an indispensable signpost for the economic policy of other countries. It is no mere accident that urgent though muffled voices say the same thing to us from collectivist countries. This signpost also enables us to recognise for what they are those efforts which in the misleading name of a misunderstood corporativism, whether consciously or unconsciously, are furthering an increasingly monopolistic rigidity in economic life. Such proposals recommend a rather curious remedy against a degeneracy of market economy characterised today by increasing market rigidity and party anarchy.

We hope it is not necessary to say that we are not intending to hoist the much tattered flag of "capitalism." If anyone is going to imagine this, then for him we have written and spoken for the last ten years in vain. But for the others we will limit ourselves to the following points.

In the first instance let us remember that "capitalism" is the distorted and soiled form which market economy assumed in the economic history of the last hundred years. Genuine market economy and a competitive structure are just what capitalism has not been at any rate for the past fifty years, and this has been the case to an ever greater and disturbing extent. Thus our own programme is in this respect also anti-capitalistic, a point which is well understood by the advocates of the status quo. Our first objective—genuine competition—far from being conservative has a thoroughly revolutionary character. Its characteristic is : an anti-monopolistic policy, and indeed one of a genuinely radical type which will not only not tolerate monopoly or merely attempt to control it, but which would do away with it. We

would turn our back on the principle of "laissez-faire" with the same determination as we do on monopoly and mammoth capitalism and so we are led to the *second* signpost. A satisfactory market economy capable of maintaining itself does not arise from our energetically doing nothing. Rather it is an artistic construction and an artifice of civilisation which has this in common with political democracy : it demands and presupposes a great deal which cannot be accomplished without our making the most strenuous efforts. Thus we observe a thoroughly comprehensive programme of an out and out *positive economic policy* with an impressive list of agenda. We may divide these into two main groups.

The first group comprises the measures and institutions which provide competition with that framework, those rules of the game, and that apparatus for impartial supervision of those rules which are just as necessary for competition as for a sporting contest if it is not to degenerate into a mere riot. A genuine competitive system which is at the same time just, fair and which functions properly cannot exist in reality without a well-considered legal and moral framework and without permanent supervision of the conditions under which competition must fulfil itself as a really effective system. This presupposes a mature economic insight on the part of responsible people and a strong and impartial government, i.e., strong but not fussy in accordance with the striking words of Benjamin Constant, "Le gouvernement en dehors de sa sphère ne doit avoir aucun pouvoir ; dans sa sphère, il ne saurait en avoir trop."

If this group of measures concerns itself with the *frame* in which market economy functions, so the other emerges if, in contrast to the philosophy of laissez-faire we concede that the market economy itself be it ever so well supervised and constructed requires specific and judicious attention from the state in reasonable doses. If the first group of measures—we will describe it as *framework policy*—should leave the market economy free within this framework, as regards the second group it is a question of a real interference with the freedom of the market which is why we desire to designate it Market Policy. We are convinced that to deny the necessity for certain interventions by the state within the framework of market economy would be but a further example of that obsession with the Absolute and with the conditional which we have already decried. We must of course be on our guard here against becoming disloyal to the market economy and giving carte blanche to an unprincipled policy of collectivism via the slippery slope of interventionism. We require specific principles to denote that interventionism which has been described (A. Rüstow) as *liberal interventionism* and thus devise maxims of rational economic

policy to which statesmen can adhere if they do not wish to navigate without a compass.

Here we have again two main principles to which a liberal interventionism of this kind must be orientated. Both are known to readers of my book, "The Contemporary Social Crisis." This is equally in accordance with the rationale of the market economy as with the demands of justice, reason and humanity.

The second principle of Liberal interventionism is derived from another distinction which one may presume is recognised if not always precisely understood by the laity in economics, namely appropriate and inappropriate intervention. Its importance lies in recognition of the fact that we must erect a strong dam against specific interventions on the part of the state if we do not desire to slide into collectivism. At each interference by the state we must make up our minds whether it is in accordance with our market economic system and is capable of being digested by it or whether this is not the case. We must be just as certain of this as we should be of the difference between methyl and ethyl alcohol if we wish to enjoy a drink. This differentiation between "conformable" and "non-conformable" interventions by the state serves this indispensable hygienic purpose and I am unable to see how this very simple distinction can be twisted or lend itself to criticism. It is of course obvious that the appropriate character of state interference is by no means sufficient in itself to recommend it just as the capacity to distinguish between methyl and ethyl alcohol is no recommendation to get drunk. Conformability is solely a necessary but not a sufficient condition of a rational intervention; it demonstrates the instrument but not the aim itself. The differentiation in question implies only that *if* interference has been decided upon it should be conformable rather than non-conformable if we wish to avoid interventionism becoming collectivism. However whether this interference by the state should take place and in what form depends on other considerations. It is quite clear that there are also conformable state measures—i.e., a policy of high tariffs—which are to be condemned as most harmful although we must add that even greater harm would result if a similar degree of restriction were to be imposed for instance by the non-conformable means of exchange control or import quotas. Further consequences which follow from these several considerations and differentiations as regards economic policy in particular—especially the policy of business cycles or of foreign trade—will meet us in the course of the present book. Thus the second main point shows the way to a positive economic policy and demonstrates its opposition to the principle of *laissez-faire*. Before turning to the next it would be as well to weigh up systematically

the results of our somewhat involved analysis of that second point. The following picture emerges.

*Positive Economic Policy :*

1. Framework Policy.
2. Market Policy (liberal interventionism) :
  - (a) Reserving contra Adjusting Intervention ;
  - (b) Conformable versus Non-conformable Intervention.

Now we come to the *third* objective which differs widely from the traditional economic view. We are turning to something which might be described as "Structural Policy" since it no longer accepts as facts the social presuppositions of market economy—the distribution of income and property, the size of businesses, the distribution of population between town and country and between industry and agriculture, and also the distinctions between classes but would purposely alter these. When we attribute to such a policy an important, indeed supreme place in our programme, the expression "Economic Humanism" would not appear to be an inept description of our endeavours. But we must not lose sight of the fact that it stands in a close relationship to both the signposts which we have fixed so far. Since in the name of a genuine market economy we have turned our back on monopolies, concentrations of business and mammoth capitalism ; and in the name of a positive economic policy guided by wisdom and humanitarian principles declared ourselves in favour of an amelioration of the hardships and trials of the weaker elements in society, we have already made our choice in favour of the small and medium sized business in every branch of economic life, in favour of moderation, of what can be overseen and of what is suited to human dimensions, in favour of the middle classes, of the re-establishment of property for the widest circles, in favour of that policy which can be described in the catch phrases "deproletarianisation" and economic decentralisation ; a policy which will still occupy us considerably. With such a programme as this we join in a movement which is going the round of the whole civilised world and which formerly appeared to us to be represented, e.g., in the reforming ideas in the China of Chiang Kai-Shek, in the message of Roosevelt to which we have already referred and in the characteristic pronouncements of such very different countries as England and Hungary, the latter before it was submerged first by one and then by another variety of collectivist totalitarianism.

It is undoubtedly a movement which expresses the sentiments of a great part of mankind. But it would be difficult to find a country where this movement can be more readily supported by contemporary circumstances than Switzerland. To illustrate this I will permit



myself here to describe the sociological cross-section of an industrious Swiss village, in the enchanting 500 year old inn of which I have spent a few summer days. The village lies somewhere within the Bern Mittelland and shelters under its wing with its 3,000 inhabitants together with its farms, the following small industries, crafts and callings : concealed in the heart of the village itself a machine factory with 100 workmen possessing a considerable reputation for specialised agricultural machinery ; a linen weaving and bleaching establishment ; a modern press for printing books ; a brewery ; a cane chair factory ; a cider press ; a linen-yarn and alloy factory ; a dairy for cheese ; a mill ; a furniture factory ; a cheese exporting firm ; a wood business and saw mills ; a chicory factory ; a tool smithy ; market gardens ; builders ; a ropemaking concern and a great collection of obviously thriving crafts and craftsmen (carpenters, coopers, chimney sweeps, basket makers, saddlers, painters and plasterers, plumbers, hairdressers, electricians, tailors, shoemakers, bakers, butchers, potters, watch-makers and gardeners). The cultural standard of this small place is shown by its respectable and highly tasteful book shop, its musical instrument business and by its High School. I would add that the whole place is remarkable for its cleanliness and a sense of beauty ; its inhabitants dwell in houses which anyone might envy ; each garden is lovingly and expertly tended ; antiquity is respected and the village itself which is crowned by an old castle, lies in the midst of an enchanting landscape. Thus have I endeavoured to portray a human habitation which could not be more charming. This village is our ideal translated into a highly concrete reality.

This was the third signpost. But these three are not yet enough. On the contrary, the most important is still to come, or at least the one which gives the decisive form to our whole plan. What we must keep clearly in mind is this ; in spite of all economic reforms already mentioned by us and in spite of the very wide ground covered, we are still moving within the narrow sphere of economic policy, however much we have already gone beyond this sphere in the last mentioned point of our programme of economic and social decentralisation. Hitherto we have been thinking mainly as economists but it now behoves us to think as sociologists and social philosophers. Up to the present we have been discussing economic policy predominantly. Now however it is up to us to consider social policy.

It was indeed the cardinal fault of the old liberal capitalistic thought to regard the market economy as a *self dependent* process whirling away automatically. It was overlooked that the Market represents but one narrow sphere of social life, a sphere which is surrounded and kept going by a more comprehensive one ; a wider field in which

mankind are not merely competitors, producers, men of business, members of unions, shareholders, savers and investors, but are simply human beings who do not live on bread alone, men as members of their family, as neighbours, as members of their churches, as colleagues, as citizens of the community, men as creatures of life and blood with their sentiments, passions and ideals. That is to say market economy requires a firm framework which to be brief we will call the anthropo-sociological. If this frame were to break then market economy would cease to be possible. In other words, market economy is not everything.

*The social and humanitarian principle in the frame must balance the principle of individualism in the core of the market economy if both are to exist in our modern society and at the same time the deadly dangers of mass civilisation and proletarianisation are to be avoided.* Both principles are interdependent. This combination of principles is clearly something fresh and time will be required for it to sink into contemporary minds. This is precisely what an American friend of mine (President Gideonse of Brooklyn College) recently expressed in the following words : "Free economic institutions depend upon the stability of the social framework within which alone a competitive structure can continue to exist." This voice from across the sea is but another illustration of how these ideas come about spontaneously and let us remember the words we quoted of Benjamin Constant and apply them in a different form now to market economy ; "Le marché en dehors de sa sphère ne doit avoir aucun pouvoir ; dans sa sphère, il ne saurait en avoir trop."

In effect a free economic constitution consisting largely of the market, competition, private initiative, a free price structure and free choice of consumption is in the long run impossible in a society which has become engulfed by mass civilisation, collectivised, proletarianised, uprooted, fundamentally dissatisfied and unstable. This free market economy can indeed in its sociological and moral aspects be likened to a hollow space and which on that account requires all the stronger supports, and it is just because of the rotten condition of this supporting framework that the liberal economic structure of the past together with the liberal social system has fallen down. From all which emerges the conclusion that a reintegration of market economy and hence an avoidance of the danger of collectivism is alone possible by a simultaneous decongestion of the population, deproletarianisation, decollectivisation, making countrymen and craftsmen of as many as possible and a general decentralisation of industry, in other words by means of a social policy directed to a greater stability and permanency of the anthropo-sociological frame.

There are those critics who gladly subscribe to the sociological

programme but who prefer to pass by the economic with a studied silence and who would persuade us not to spoil things with such unseemly and tactless politico-economic thoughts. Some try to explain in a learned way that the market economy is something rationalistic and therefore unsuited to an irrational and romantic framework. Now in this instance it is the intellectual who must say to these cultivated critics that it is reality which we must consider and not books and theories. But this reality informs us that a fully over-rationalised and over-organised society is untenable in the long run and ends either in collectivism or anarchy or probably in something akin to both. Market economy is that type of economic structure with which our whole social and cultural system stands or falls ; even the contemporary quasi-collectivism of many countries is as we saw untenable in the long run. Market economy can be maintained only with a corresponding policy for the social framework. Vice versa, a healthy form of society is incompatible with a collectivist or pre-collectivist economic policy as can be seen clearly in the undermining of the small farmer through agrarian collectivism. Both market economy and uncommercialised society mutually complete and support one another. Both have a relationship to each other of hollow space and frame or of convex and a concave lens which together form the camera's eye.

What has had to be said about these critics counts just as much for the others who approve our economic programme but who on the other hand reject the socio-political one. These unregenerate Liberals of the old school are the precise opposite of the unregenerate illiberals. Both are blind in one eye. Both misunderstand the necessary interdependence of these two aspects of the matter.

Let us be explicit and take one example. A chief pre-requisite for the proper functioning of the market economy is a minimum of elasticity of wages, a minimum which today appears to be more and more threatened. There can be no question that everything will depend on this simple fact ; without this minimum of elasticity in wages there can be none in costs, without elasticity in costs, none in prices ; without elasticity in prices there can exist no genuine market, no equilibrium, no possibility of competition, no resiliency to meet shocks and crises, no world economy, no stability in work, currency or production. However as things now are, that minimum of elasticity will be attained only if the worker is given a minimum of stability both material and immaterial in his existence ; if he is redeemed from his proletarian surroundings ; when part-time and short periods of unemployment are made tolerable since in his capacity as a "countryman", a "citizen", and a "craftsman" the worker should possess a

reasonably secure existence and have learned to rely upon himself. Deproletarianisation and decongestion are the indispensable prerequisites for the salvation of a free economic and social system.

We must bear in mind that in the last resort it is this freedom which is at stake, even though it be sometimes abused. I would suggest in this connection that we should take to heart the beautiful Italian tale which Macaulay has recounted in his immortal essay on Milton Ariosto; that legend of the fairy condemned to appear at certain times in the guise of a hideous and poisonous snake. Whoever did her harm was for ever thrust beyond the orbit of her benignity. But to him who, in spite of her ugliness had taken pity upon and protected her she appeared later in her beautiful and celestial form, and upon him she showered all her blessings. Freedom is such a fairy says Macaulay. At times she takes on the form of a loathsome serpent creeping on the ground, hissing and stinging. But woe to him who in his disgust ventures to crush her. "And happy are those," concludes Macaulay, "who, having dared to receive her in her degraded and frightful shape, shall at length be rewarded by her in the time of her beauty and her glory."

#### NOTES

(p. 1) *The duty of the "Clerk."*  
 The expressions "Optimism" and "Pessimism" are often seriously misused and it is high time to insist upon a stricter distinction between the meanings which are so loosely attached to these words. It is above all urgently necessary that we should set our faces against the fundamental "Pessimist" who regards his own weary sense of hopelessness and weakness as a supremely superior frame of mind, and against this dangerous opium we must establish an attitude of optimism which is really only another word for energy, strength of mind, courage and the acceptance of life with all its responsibilities. Optimism of this kind should in no circumstances allow itself to be led astray and put off by the presupposed "trend of the times." It must withstand every attempt of those who would gain an advantage and back up their argument by constantly repeating that this or that "has come to stay"—tactics which are familiar at conferences where a skilful chairman gains his point quickly and without undue notice, a point which at first may have given rise to serious doubts, in short, a manoeuvre which shuts the mouths of those more timid members of the committee who lack the courage to refer to the matter again. Tacticians of this type create an atmosphere where a proof is needed and forget that in scientific questions votes are weighed but not counted. When we are assured that if this or that does not happen people will revolt, that large circles are madly thirsting for this or that and that the spirit of the times is against a particular idea this is no argument against its truth. It would be a sad betrayal on the part of an intellectual if he were to allow himself to be led astray as regards what he believed to be the truth no less than for a doctor to allow an insistent patient to take some particular medicine just because his patient has got it into his head that he wants it. We may as well resignedly take into account the great difficulties which obstruct the fulfilment of an idea but we ought not to anticipate these

difficulties in our own theory itself. Life itself will levy its discount on our theories anyway, so that to anticipate it in our own theory would mean that we double this discount. For this type of escapism, i.e., the opportunistic outlook, practical life provides more than enough opportunity. To give way would be a serious neglect of our duty. That we and our idea succumb together is quite likely, in which case we can but say with Faust :

"Those few who may have something learnt  
Have oft been crucified and burnt"

2. (P. 3) *The Moderate-Collectivists.*

In this connection the following quotation of a leading Italian Sociologist who can be named with men such as *Guglielmo Ferrero* and *Benedetto Croce* is not inappropriate : "An experiment in so-called 'moderate socialism', which would allow private property to exist provisorily and nominally but would subject it to such burdens and limitations as to deprive it of significance, would have even less chance of lasting in western Europe than a downright and thoroughgoing dictatorship of the proletariat. Such a system would always be open to violent attack by the regular communists, without having the prestige and strength to suppress them, and it would not have at its disposal the margin of wealth that would be indispensable to cover wastage inevitably incident to any attempt to apply a moderate form of socialism. Because of its failures and the disappointments it would occasion, it would either degenerate rapidly into pure communism, or merely lead to a development of the present political and economic system into a bureaucratic and military dictatorship" (*Gaetano Mosca*, *Elementi di Scienza Politica*, vol II, cap. 6, quoted from the excellent translation by Hannah D. Kahn, "The Ruling Class," McGraw Hill, London, 1939, cap. 17, p. 486).

3. (P. 4) *Three possibilities for a solution of the problem of planning.*

While not forgetting an acknowledgement of my obligation to the author I would refer the reader in the above connection to *Walter Eucken's* important book "Grundlagen der Nationalökonomie," third edition, Jena, 1943. Whereas Eucken divides the economic system into the two main types, the centralised ("Coercive Economy" in our terminology) and the free exchange economy (our "Market Economy"), he attributes self-contained economy to the first category. But for our purpose the proposed triadic scheme would seem to be more suitable.

4. (P. 5) *The sole choice between Market and Coercive economy.*

That in a highly differentiated society as regards these two fundamental types of economic activity there can be no possibility of a third, should be made manifest to *co-operativists*, those who discern in the co-operative system a particular variety of the economic order which is neither the Market nor Coercive economy. No-one would deny that the co-operative system has become a highly important and useful form of modern economic activity. One can be a very warmhearted friend of co-operative methods and yet quite properly realise that this none the less in no way frees one from making the decision between the market and coercive economy. Within the market economy the co-operatives are one form of economic activity with others, one which fills an important place and one indeed which can be of great assistance in combating monopolistic tendencies. This applies no less to that type of co-operative organisation which most easily enkindles enthusiasm and which is most likely to arouse illusory hopes of a wholly new economic system, a co-operative system for consumers. But it is generally misunderstood (1) that such associations obviously leave much to be desired and that only too often increasing concentration and over-organisation have proved as fatal to consumers' associations as to any other organisation. The fact that consumers' associations are able to attract only a relatively small portion of the turnover of business even if their development be unchecked is all the more noticeable since they possess at the same time the stimulus of an idea which enables them to give their customers (members) an extra bonus of an immaterial kind in their shopping basket, a bonus which still binds their members to them even if these latter should be put out by a comparison of prices and quality with those prevailing outside; (2) that the contemporary consumers' co-operative society is fully ensconced in the market economy with its

competition, its prices and its calculations of costs. Were the market economy to come to an end consumers' co-operative societies would either become organs of state coercive economy or they would of themselves form a coercive economy, or else a new kind of market economy would come into being the component part of which would be the different co-operative societies. It is remarkable that one may seek in vain through the whole literature of co-operative methods for such fundamental considerations.

5. (P. 6) *Feudalism and Monopoly.*

For the close connection between both see my book "Die Gesellschaftskrisis der Gegenwart," fourth edition, page 297.

6. (P. 7) *The conception of "Capitalism."*

If we employ the expression "Capitalism" to denote merely the historical combination in which the market economy came to be developed during the nineteenth and twentieth centuries it would appear a mistake to use it for earlier periods of economic history and to refer, e.g., to a "Capitalism of antiquity." In this connection see *Walter Eucken*, op. cit. p. 74 ff. and *Alexander Rüstow*, "Zu den Grundlagen der Wirtschaftswissenschaft," *Revue de la Faculté des Sciences Économiques de l'Université d'Istanbul*, 1941, vol. 2.

7. (P. 13) *"Sociological" Liberalism.*

What we understand by sociological Liberalism is more or less identical with what *Benedetto Croce* describes as "Liberalismo" in contradistinction to "Liberismo" (what we call economic Liberalism). There is nevertheless an important distinction which is grounded in a fundamental difference of opinion. Since we are convinced of the close correlation between the economic system on the one hand and the cultural and social system on the other and we are of the opinion that one cannot create a tenable social establishment by joining arbitrarily any two floors together, we understand by "sociological Liberalism" one that comprises economic Liberalism, i.e., Market Economy as the sole economic form suitable to a politico-cultural Liberalism. But *Croce* appears quite comprehensibly to regard the view of a correlation between the two storeys as a degradation of the upper and as a concession to the materialistic viewpoint. At any rate he believes that full autonomy should be conceded to politico-cultural Liberalism ("Liberalismo") vis-à-vis economic Liberalism ("Liberismo"). Accordingly "Liberalismo" would be something which could quite well exist without "Liberismo." Thus for him Market economy would become a matter of indifference. In my dislike of materialism I am not only wholly at one with the distinguished Italian philosopher but I am also greatly indebted to him. (See also his excellent monograph, "Contro le sopravvivenze del materialismo storico" in *Benedetto Croce*, *Orientamenti*, second edition, Milan, 1934, p. 31 ff.). Yet there is nothing inconsistent in my point of view that a close correlation exists between all spheres of the social body. And I am also strongly of the opinion that collectivism which would destroy together with market economy the liberal character of our cultural and social system has its origin in the moral and spiritual spheres. It is furthermore noteworthy that this difference of philosophical opinion has not hindered *Benedetto Croce* from giving a friendly reception to my book "Die Gesellschaftskrisis der Gegenwart" (*La Critica*, 20th March, 1943) in its essential points, a fact which has encouraged me and made me feel highly honoured.

8. (P. 14) *The impossibility in practice of making economic calculations in a collectivist system.*

In this connection note this voice coming from Nazi Germany: "The difficulty of making economic calculations in a centrally administered economy has been long recognised. Now we are experiencing it in the concrete. The further economic development progresses and the further we get from the economic situation of the year 1936 the worse does this difficulty become. It can be overcome only by prices registering once more accurately the factual scarcity of individual goods." (*Walter Eucken*, "Wettbewerb als Grundprinzip der Wirtschaftsverfassung" in the collected works published by the Akademie für Deutsches Recht, "Der Wettbewerb als

Mittel Volkswirtschaftlicher Leistungssteigerung und Leistungsauslese," Berlin, 1942, p. 33). And see also *Boris Brutzkus* (formerly a professor at St. Petersburg) "Die Lehren des Marxismus im Lichte der russischen Revolution," Berlin, 1928. The best general account of the problem is given in the collected works published by F. A. Hayek, who contributes an article of his own, entitled "Collectivist Economic Planning," London, 1935, in which Brutzkus' essay has been reprinted in English.

9. (P. 16) *The stimulus of a gamble.*

One should read in this connection what the aged Goethe had to say in a conversation with Eckermann on the 1st May, 1825 upon the advantages of a theatre run on the principle of private enterprise, "It lies in human nature to drop off to sleep when neither personal gain nor loss be there to jog it."

10. (P. 18) *The Market as the unsurpassed Master of Calculation.*

The expression is borrowed from one of the most eminent of economic theoreticians whom Marxism has brought to the surface, *Rudolf Hilferding*, "Das Finanzkapital," Vienna, 1910, p. 30 in connection with the exchange value of money. "That is naturally a measure the quantity of which it is not possible to reckon beforehand. The master calculator who is alone in the position to solve the matter is society." This corresponds with the recent statement made by the Italian economist, *Luigi Einaudi* in his book, "Ipotesi astratte ed ipotesi storiche e dei giudizi di valore nelle scienze economiche," R. Accademia delle Scienze, Turin, 1943, p. 14 ff.

11. (P. 22) *Collectivism as War and Armaments Collectivism.*

Compare the exhaustive and convincing statement by *Walter Lippman*, "The Good Society," Boston, 1937, p. 89 ff. On the subject of Russia a recognised expert says, "This national system from the very first hour of its birth was nothing but an organisation for war. Everything in that country served purely military objects." (*N. Basches*, "Weltwoche" of June 26th, 1942). It is particularly noteworthy that Russian collectivism exhibited as great a proficiency in arming as it showed little in producing goods for the civilian population. If this state of affairs had been sufficiently clear to the world it would not have been likely to have been so taken by surprise by Russia's astonishing powers of resistance in the military field and would have hesitated in drawing too hasty conclusions about Russian military weakness from her lack of proficiency as regards civil matters, when all the time the whole power and energy of the nation was being concentrated on military requirements. And it is one of the most astonishing obliquities of the well-known book of *E. H. Carr*, "Conditions of Peace," London, 1942, that the author in all seriousness is apparently surprised that the collectivism of war-time should not be able to be converted to a collectivism of peace. But it is a general weakness of this author that he seems to be incapable of taking into account the sociological consequences of collectivism.

12. (P. 23) *Federalism and Collectivism.*

Here I am principally indebted to the excellent article by *F. A. Hayek*, "Economic Conditions of Inter-State Federalism," *The New Commonwealth Quarterly*, September, 1939. On the centrifugal tendencies which arise within a federated state through the process of regional interventionism and collectivism I can also recommend *Raymond Leslie Buell's* alarming book, "Death by Tariff," Chicago, 1939. He shows how before the war American life was becoming ever more dismembered and disintegrated owing to interventionism and protection on the part of the individual states. As regards Switzerland see *W. E. Rappard*, "L'individu et l'état dans l'évolution constitutionnelle de la Suisse," Zurich, p. 392 *et seq.*

13. (P. 24) *The motives of Collectivism.*

Upon self-assertiveness as a motive to action *Mosca* (op. cit. p. 392) writes, "But once everybody has acquired the right to vote, it is inevitable that a clique should detach itself from the middle classes and, in the race to reach the better posts, try to seek leverage in the instincts and appetites of the more popular classes,

telling them that political equality means almost nothing unless it goes hand in hand with economic equality and that the former may very well serve as an instrument for obtaining the latter."

Upon the attractiveness of collectivism to those who are aesthetically and artistically inclined J. Benda has some interesting observations in his "La trahison des clercs," Paris, 1927, p. 211 and p. 299.

An example of the tragic end of an humanitarian collectivism is afforded by the book written by the two Webbs, "Soviet Communism: a New Civilisation?" London, 1936, to which I have referred elsewhere (*W. Röpké*, "Kapitalismus und Konkurrenzsystem, Zeitschrift für schweizerische Statistik und Volkswirtschaft," 1936, vol. iii). See also *Th. Maulnier*, "Mythes Socialistes," Paris, 1936, p. 99 ff.

14. (P. 26) *The general desire for the resumption of a genuine competitive system.*

Roosevelt's message to which reference has already been made and which was printed in the American Economic Review, Supplement, June, 1942, served for the setting up of a committee of enquiry, the Temporary National Economic Committee, to investigate conditions and prospects of American commerce. After a very wide and most searching enquiry essentially liberal conclusions were reached. And the publication already mentioned by the Akademie für Deutsches Recht with the above-mentioned paper by *Walter Eucken*, follows much the same lines. See also *Allan G. B. Fisher*, "Economic Progress and Social Security," London, 1945.

15. (P. 27) *Corporativism.*

Here we are unfortunately dealing with a subject about which there exists great confusion of thought owing to insufficient definition. Where corporativism is so decisively deprecated in the text, this is not intended as a criticism of attempts at self help on the part of trades; nor of the arousing and furtherance of a sense of professional selfconsciousness; nor of the alleviation by means of professional co-operation of the struggle between capital and labour. Those are all splendid things the furtherance of which is much to be desired. But what we have in mind is corporativism in the sense of a movement which would elevate the corporation to the corner-stone of the economic and national structure whilst denying free competition and democracy. This corporativism against which our whole criticism is directed because it would entail monopoly, group anarchy, rule of vested interests, corruption, national decay, and rampant privileges, is not better than the shown or "terminological" corporativism of the totalitarian states. In the latter case the corporations are solely organs of the state and cannot be anything else and it would be naïve to assume that a totalitarian nation would be prepared to commit suicide by handing over its most important functions to autonomous bodies. These corporations assist the totalitarian state by pushing its tentacles far into the economic sphere and by increasing its power. To speak in this connection of a corporative state is inadmissible: it is not the state which is "corporative" but the corporations are the state. It is here merely a matter of terminological façade which is part of the art of government in the totalitarian state. Unfortunately the muddle has been only increased through certain Catholic circles misinterpreting the papal encyclical "Quadragesimo Anno," of May 15th, 1931, in spite of its perfectly plain declaration—and one which coincides fully with our own point of view—and reading into it a recommendation of the corporative state. We can but give these people the urgent advice to study this noble and impressive message in the original text, a message which declares itself in favour of a cleansing of the economy of the Market from degenerate monopoly and against the undermining of the state through the power politics of economic pressure groups (*oeconomicus potentatus*) and which also urges deproletarianisation (*redemptio proletariorum*). It expresses itself unmistakably not against competition or the Market but against the war of classes. See my book, "Die Gesellschaftskrisis der Gegenwart," fourth edition, p. 151 ff.; and my paper, "Fascist Economics," *Economica*, February, 1935.

16. (P. 30) *Positive Economic Policy.*

For *Framework policy* see *Franz Böhm*, "Wettbewerb und Monopolkampf, eine Untersuchung zur Frage des wirtschaftlichen Kampfrechts und zur Frage der



rechtlichen Struktur der geltenden Wirtschaftsordnung," Berlin, 1933; "Ordnung der Wirtschaft," Essays published by *Franz Böhm*, *Walter Eucken*, und *Hans Grossmann-Doerth*, Stuttgart und Berlin, 1936; *Walter Lippman*, op. cit.; Publications of the Temporary Economic Committee (TNEC), especially *C. Wilcox*, "Competition and Monopoly in American Industry," Washington, 1940, and Final Report of the executive secretary to the Temporary National Economic Committee on the concentration of economic power in the United States, Washington, 1941.

The expression "Liberal Interventionism" was coined by *Alexander Rüstow* (*Verhandlungen des Vereins für Sozialpolitik in Dresden, 1932, Schriften des Vereins für Sozialpolitik*, vol. cxxxvii, Munich, 1932, p. 62 ff.). It is used here in a somewhat narrower sense since we regard "Framework policy" as an independent group, and differentiating between "Framework" and Market policy we would describe only the latter as liberal interventionism. See here my article, "Staatsinterventionismus," *Handwörterbuch der Staatswissenschaften*, fourth edition, *Ergänzungsband*, Jena, 1929; *Carlo Mötteli*, "Gibt es einen dritten Weg?" *Neue Schweizer Rundschau*, March, 1943; *Carlo Mötteli*, "Die Schweiz und der dritte Weg," *Neue Schweizer Rundschau*, April, 1943; *C. Bresciani Turrone*, "Introduzione alla Politica Economica," Turin, 1942; *Luigi Einaudi*, "Economia di concorrenza e capitalismo storico. La terza via fra i secoli XVIII e XIX," *Rivista de Storia Economica* (Turin), June, 1942.

17. (P. 30) *The "dégout" for the colossal.*

The general tendency of ideas in Chiang Kai-Shek, China, impressed themselves upon us through an article by *Mayling Sung Tsiang* (Mrs. Chiang Kai-Shek), "China's Awakening," *Neue Zürcher Zeitung* of June 7th, 1942. In the same connection Roosevelt's message already mentioned was as follows: "We all want efficient industrial growth and the advantages of mass production. No one suggests that we return to the hand loom or hand forge. A series of processes involved in turning out a given manufactured product may well require one or more huge mass production plants. Modern efficiency may call for this. But modern efficient mass production is not furthered by a central control which destroys competition between industrial plants each capable of efficient mass production while operating as separate units. Industrial efficiency does not have to mean industrial empire building . . . If you believe with me in private initiative, you must acknowledge the right of well-managed small business to expect to make reasonable profits." It is no less a noteworthy symptom of the spiritual change of climate in the United States that according to the census of 1940 a discernable diminution in the power of attraction of the big cities and a definite tendency to move into smaller places is to be observed, although it would be too soon to speak yet of a "return to Jefferson."

As regards *England*, if all the appearances are not deceptive and if one is not altogether mistaken about the English national character, there exists surely a strong sentiment against collectivism and centralisation and it is none the less genuine if it has not found any effective articulate expression—the sentiment of a nation who, in spite of everything has still retained a strong element of country people and deep love of freedom and independence which renders it in the long run little suited to a collectivised and centralised régime. Thus we would not feel surprised if people like the late G. K. Chesterton and his friends with their programme of economic and social decentralisation, of "back to the land," their cult of the individual, their fight against monopoly and concentration and their desire for deproletarianisation are less than ever looked upon as amusing cranks; indeed they are representative of a point of view to which perhaps more and more Englishmen are returning. And this so much the more since in England, as elsewhere, the war has faced everyone with elementary problems and primitive situations; has relentlessly unveiled the artificiality and the vulnerability of our industrialised Big City civilisation and compelled decentralisation willy nilly as it has been just these centres of population upon which the bombs rained down. To become acquainted with this feeling it is obviously no use reading books by collectivist intellectuals but one should search out more remote sources. To discover these sentiments behind

the noisy foreground of collectivist intellectuals one might do worse than listen to the voice of a pilot of the Royal Air Force to whom we will refer again later. It was the voice of common sense. It is the cry of protest of a creature crushed between the cogwheels of society. Clear expression has been given to these sentiments also at conferences of English bishops.

18. (P. 33) *The Full Programme.*

For the sake of convenience we will here set out the ground plan of the full programme of economic and social reform as developed in the text:

- i. The setting up of a system of genuine competition (an anti-monopoly policy).
- ii. Positive Economic Policy (anti-Laissez-faire):
  1. Framework Policy.
  2. Market Policy (Liberal Interventionism).
    - (a) Adjusting contra Preserving Intervention.
    - (b) Conformable contra non-Conformable Intervention.
- iii. Economic and Social Policy (Balance, Decentralisation, "Economic Humanism").
- iv. Social Policy.

## PART I

### MORAL FOUNDATIONS

*"C'est sortir de l'humanité que de sortir du milieu ; la grandeur de l'âme humaine consiste à savoir s'y tenir."*

Pascal, *Pensées*, 1.9.17.

*"Our Earth is but one of the medium Planets. Man is one of the medium creatures of the Earth."*

*Rejoice in your station, Oh Man, and study yourself as, noble medium creatures, amidst all living matter around you."*

Herder, *Ideen zur Geschichte der Menschheit*, B.1.



## CHAPTER I

### MORAL FOUNDATIONS

#### RATIONALISM ASTRAY

HE who would understand the decay of society and would seek the path to a sound one should realise that even here it is the Spirit "which forms the body." True and false paths of thought in whatever way humanity may stumble upon them reveal themselves continually anew in history as the first visible steps to the good or the bad, and without a correct orientation of the intellect all attempts to achieve a well-ordered and satisfying society are doomed to failure. Nowhere is this more clearly demonstrated than by the calvary followed by Western society during the past century; by the latest and desperate situation in which it finds itself today. A history of its rise and fall must also necessarily be a tale of the triumphs and mistakes of the Western spirit, and a happier future must learn by heart those lessons which are to be drawn from its history.

When we describe this vicissitudinous history of the spirit of the West which has led us to the contemporary social crisis, as a tale of the false paths and blind alleys of the intellect, we must first of all guard against a fatal misunderstanding. He who discerns either with regret or pleasure behind such a description a deprecation of intellect, that gift from Heaven which alone has raised mankind above the animal world, or an attempt to repel and befog people with the poisonous clouds of irrationalism, must be left in no doubt for an instant that we should feel ashamed to stoop to such inhumanism. How could we venture to recommend to men to make less of their intelligence and to encourage them to rationalise their natural laziness of thought? Were human beings not to possess this gift of Light from Heaven what would they be but pitiful creatures, more pitiful than all the rest in their bodily helplessness and lack of skill? And far be it from us the suicidal and inhuman thought of craving after an animalistic stupor or of seeking a way out of our troubles in the sphere of the subhuman. On the other hand we must of course recognise that lack of wisdom as a rule does not consist in a deliberate suppression of mental activity (which would be as difficult for us as holding our breath) but in not making the right use of it and thus acting against reason in a higher sense. Whilst we can scarcely avoid making a proper use of our bodily organs unless there is something wrong with our central nervous system we are given a free hand as regards our wits. We

assuredly do not wish to follow Mephistopheles in his pessimism where in speaking of humanity he says :

“ He calls it Reason—thence his power’s increased  
To be far beastlier than any beast.”

Nevertheless in these days we should be the last to deny that owing to just this freedom “*homo sapiens*” possesses possibilities before which we tremble and which might tempt us to emulate unwise philosophers and describe human beings as beasts of prey, were this not a gross libel on the beasts. He who selects such a facile analogy hopelessly misunderstands the ways of mankind which offer not the smallest comparison with the ways of even the most highly developed of animals, just on account of Man’s freedom of choice as a result of the possession of an intellect, and which assigns him in good as in evil—the super—just as in the subanimal—a special sphere.

Man is neither a beast of prey in the sense that we in our decadent pessimism must sometimes doubt his humanity nor in which (with an even more decadent and worse brutalism) we extol his lack of humanity, nor yet beast of prey in the sense that if he forgets his humanity he just returns to the level of a beast of prey. The truth is indeed that Man so far as he is a being who, gifted with an intellect, possessing the ability to choose his course of action and thus able to take moral decisions, raises himself above the animal world, can likewise sink far below their level, as for instance when he goes to war with his fellows, a phenomenon we should seek in vain among animals of the same species. Even so he is still true to his nature in seeking to find reasons for his action, in possessing the impudence to excuse himself for his zoological nature or even boast of it. In short, in using his intelligence to be “*far beastlier than any beast.*”

It is precisely the mistake of rationalism to be led astray by a boundless trust in the intellect, to regard it as a never failing guide and to forget the deep meaning of the Biblical story of the Fall ; “*ye shall be of the gods, knowing good and evil.*” The mistake lies in the belief of no possibility of mistake, in disregarding every warning signal, protective railing and signpost, and failing to observe all those uncanny and malicious complications, deceptions, traps and paradoxes of which the human intellect is capable and which can lead finally to anti-intellectualism, anti-humanism and irrationalism ; in short to the betrayal of humanity. It may appear very surprising but anyone who has thought about these matters can scarcely doubt that it was a special kind of misuse of the intellect which, with a small and seemingly innocent lapse here, with colossal misuse there, has inconspicuously influenced human thought during the past few centuries to act in a way which has led to the wretched conditions of things in the world

of today. The latest and lowest step along this road of misguided intellect to which men of unbounded optimism and unbelievable confidence in the intellect have been led, is that of fully doubting the possibility of intellect and giving themselves up with rational oversophistication to irrationalism, emotionalism, to the worship of blood and instinct or whatever one likes to call it.

This misuse of the intellect which springs from overlooking its limitations and conditions stands in strong contrast to the arrogant superiority with which the intellectualist and rationalist is in the habit of approaching us and laughing at our humble recognition of the limiting factors in the use of intellect as a form of simplemindedness. We are not reproaching him with too much use of the intellect but with a misuse of it, a false one. Since we can only take a false step when we do not recognise that it is false it is too little intellect that we attribute to the erring rationalist, and hence it is an additional amount of thought and reasoning which we are demanding and not less. It is fundamentally false thinking which we would make responsible for the condition of the world and of humanity and it is correct thinking from which we hope the world's salvation may come. And incidentally are we not therefore reproaching the rationalists in spite of all their thinking with not having thought a little further? And are not we accordingly of the opinion that this deficiency has proved a world calamity? This is in fact our opinion and we do not mind whether for that reason we are classed among the rationalists or the romanticists. Such neat classifications are no small part of rationalism which takes a delight in labels and tickets and which regards these as adequate scientific analysis. But tickets and labels are quite immaterial to us so long as we only understand the thing itself and are agreed in the simple requirement that false thinking should be corrected by thinking properly.

#### HUBRIS OF THE INTELLECT

Let us repeat : our thought always takes the wrong road when it follows its unfortunately inherent tendency to stray, to dogmatisation and to seek after absolutes while forgetting the conditions, and limitations to which it is subject, when it runs its head against the things "which are" (the "stubborn facts" of James, the "brutal facts" of Bergson) and, as Goethe puts it, "striving directly after the Unconditional in this all too conditional world," imperially defying the Universe instead of contenting itself with the rôle appropriate to the understanding, namely, that of classification, weighing, fitting, judging and synthesis. It is what I have described in my book, "The Contemporary Social Crisis" as "Obsession by the Hypothetical

and the Absolute," but what we can also brand "Hubris" in contrast to the humility of men who acknowledge the limitations of reason and consign it to the function of a judge bound by factual evidence. It is a blindness to certainties with which we now have to reckon after all and more especially towards those which our rationalists find it difficult to grasp and therefore regard as a humiliating obstacle to the Empire of Reason; inner certainties which are not to be measured quantitatively and which are not immediately perceived by the senses, which can neither be weighed, nor measured nor touched, the imponderabilia of "inward experience," of Life, of Society and of History. Thus we might describe this hubris as a fundamental lack of wisdom as regards life, history, and society. Hence arises the tendency to mechanical thinking, to over-simplification, to irresponsible radicalism, to imitation. Hence the fundamental preference for everything new and the fundamental distaste for what is old merely because it is old. Hence the contempt for what has been bequeathed, for what is traditional, for the spontaneous, and the preference for the organised and the mechanical. Hence the horror of everything which is not cut and dried, the aversion to compromise and improvisation and the urge towards an absolutely guaranteed security; a security which every rationalist believes himself to have discovered anew until even his own unfailling system is finally shattered upon the incalculable rocks of actual life. He believes he knows better than Goethe of whom his friend Riever tells us: "He mentioned reason and said that it afforded least freedom of all and that the reasonable people were the least free."

This rationalist it is who can spare only a pityingly superior smile for all these inner, vital and sociological certainties whilst giving us to understand that we should have learnt first from him how to avoid being deceived, little suspecting that this is the step we ourselves have already surmounted. And so he develops into the sometimes useful, sometimes dangerous unmasker, the disillusioner, the ideological snoop who no longer believes firmly in anything except, remarkable to relate, his own all-revealing intellect whereas in point of fact it is just this in which he reposes altogether too much confidence. Certainly in some ways we are not altogether out of sympathy with him. For who will deny that this world is full of verbal deceptions and humbug, vulgar propaganda, and lying façades out to diddle us, a world of tinsel, masks and "ideologies." He who courageously faces up to this phantasmagoria certainly earns our gratitude, but the misfortune is that the rationalist here too pursues his favourite occupation of emptying out the baby with the bath. In his obsession by the Absolute and the Unconditional he is the man who continually "proves too much." It can hardly be denied that the aberrations of



psycho-analysis (often grounded in a malicious satisfaction to attribute higher motives to lower ones) which expands the undoubtedly important insight in the powerful working of our appetites into a veritable Pansexualism, belong to this chapter.

Now it serves the purposes of clarity if we observe this type at work in the concrete. With this object let us choose an example which will call to the mind of each of us a personal experience and which is not out of way. Let us assume that we are taking part in a discussion on the essence and value of the Nation and national sentiment, and let us assume further that we are in agreement that there is an objectionable tendency to regard the Nation as an Absolute, a tendency which fits as ill with a sense of the human family as with elementary ideas of moral values and which we designate nationalism. We agree that the Nation cannot be the first or the last step in political organisation and that an ever more lamentable misuse of patriotism is to be observed, one which would quite wrongly grant patriotism the supreme place even where higher values and ideals conflict with it. No one will quarrel with us for making our own those noble words of Edith Cavell that "Patriotism is not enough," or for referring to the view of Doctor Johnson that it can be the "last refuge of a scoundrel." And then if you please the incorrigible rationalist makes the bold pronouncement that national sentiment is the mere façade for the interests of class, that in any case the Nation is an anachronism which must be overcome and which cannot be sustained by the intellect, and that in the event of a conflict between national and the class interests of the ruling caste, the latter would always supersede the first. What are we to say to this?

Surely this. That the elementary forms of a true human community—which may well be smaller than what we are accustomed today to describe as a Nation—are from the unavoidable nature of things limited and determined by space; that according to the space they occupy human beings form themselves into groups from below upwards, from the parish and district to the Nation; that in a healthy Society, i.e., one which does not emanate from a rationalistic foundation, no stage can be omitted, and that if by this arrangement we are able as we hope to rise above the Nation, nevertheless even the Nation retains a natural and legitimate function.

It will be no easy matter to make this clear to our rationalist friend and to deflect him from his customary habit of ignoring such trifles as space and history or of constructing an independent individual willing to associate freely with others of his kind. And if he—with an accent upon the previous flirtation of the bourgeoisie with Fascism and National Socialism and the corresponding coquetting of some

intellectuals and workers with Russian Bolshevism at the expense of their country's interest—maintains that the interests of class always take precedence over those of the Nation, we should certainly retort that the historical norm must be precisely the opposite. Otherwise a Nation could not possibly exist, and his examples merely serve to show to what an extent the internal decay of our Society has already progressed. But since the existence of Nations is the historical norm so is the preponderance of geographical frontiers over those of class or ideology. It is only at times of great crises of history as during the Wars of Religion or Revolutionary Wars like those of our times that we experience the contrary situation in which geographical frontiers (i.e., those spatially determined) become superseded by those spatially indeterminate ones of class or ideology. This can however be but a passing phase since it signifies a disruption of the nation or any other form of human community, which as a rule can exist only within spatially determined limits.

Thus an ordinary conversation can give an opportunity of observing the thought process which leads to rationalistic cosmopolitanism and thus of pursuing the errors of rationalism. We should have a similar experience were we to have a conversation with an enthusiast of some form or other of collectivism and to hear from him all his proposals for benefiting humanity. Or with a dogmatic upholder of democracy who discerns in every complicated system for electing magistrates a reactionary threat. Or with an educational reformer who holds the least display of authority to be a crime against the child soul which alone can know the only true way to what is right and proper. Or with a moral philosopher of personally irreproachable character but who cannot quite understand why he behaves in the way he does since he can explain all morality and right conduct as only the outcome of convention, coercion, or utility. Or with an equalitarian fanatic whom not all the experience of thousands of years and awareness of the inequalities and variety in life can dislodge from the conviction that the existing inequality can be expiated only by means of a complete levelling of everything and everybody. Or with a sexual reformer whom awareness of the difficult problems of marriage and sexual life has impelled to reject monogamy and the family in favour of every sort of novelty calculated to guarantee happiness at last. Or with a fanatic of freedom-at-any-price who will not see that freedom without limits can lead only to the maximum lack of freedom, the supreme task—one demanding greatest insight and strength—of a genuinely free government consists just in “to temper together these opposite elements of liberty and restraint in one consistent work” (Burke); that, to quote Burke again, “Society cannot exist unless a controlling

power upon will and appetite be placed somewhere." To every freedom there is a boundary beyond which it becomes a grave danger to itself and to Society and no State—unless bent on suicide—can permit greater freedom than does any gambling club which maintains certain rules and flings out members who cheat.

But, however, should we come into contact with one of those now rare representatives of historic Liberalism, of the *laissez-faire* school, we should hear what we should otherwise obtain only from out-of-date books; that Market Economy regulated by competition represents a self-dependent cosmos in no way bound to sociologico-moral conditions, a "natural order," in regard to which men have only the negative duty of clearing all impediments out of its way. This also is a form of blundering rationalism and is alone distinguishable from collectivism in that this *laissez-faire* philosophy is making trouble for us not as Collectivism is by its immediate presence but by its fateful legacy, the world of today, a world to which that historical Liberalism so blindly and busily contributed.

#### THE HISTORICAL ORIGIN OF ERRORS

Having gathered a fairly clear picture of the aberrations of rationalism we will want to enquire how it came about in the course of the intellectual and social development of recent centuries. Although in so doing we are entering upon an exceptionally difficult and insufficiently explored terrain we must attempt to find at least a partially satisfactory answer. For not until we have really cleared up this disturbing phenomenon shall we be able to discover the proper path for the future. It will emerge that there have been many and complicated contributory causes.

Our readiest answer will be that it was an excessive reaction to circumstances which were bound to be a challenge to human intelligence. Reaction against the misuse of tradition, of respect, of theology and speculation; against those factors which, on the threshold of the new era combined together to force mankind to bow the knee before unfathomable "acts of God," and to stamp as a crime every thought which would apply the searchlight of reason to a divine world order. Reaction against a spirit which speaks to us most clearly from a document of a committee of the Spanish government under Philip II in connection with a project for making navigable the rivers Tagus and Manzanares. This document rejects it with these memorable words: "If it had been God's will that these two rivers should be navigable then would He with a simple 'It shall be done' have accomplished it. But it would be a gross impertinence and interference with the rights

of Providence to attempt to improve that which God for inscrutable reasons has left undone." It was also reaction against a despotism which, true to type, demanded unconditional subjection to dogma and persecuted every free activity of the mind as heresy in the theological sphere and as treasonable presumption in the worldly, against a despotism which defied the intellect, which declared all the arrangements of Society—form of government, property, servitude, war—to be sacrosanct constituent parts of the divine world order and which anathematised any thought of these being the frail achievements of human beings. It was reaction against a social system which permitted unlimited freedom to the few at the cost of an all the greater subjection of the great majority and which must thus have led to the revolutionary idea of extending the unlimited freedom of the few to all and sundry.

This being the case can one blame the rationalists and the men standing for enlightenment for not wanting to hear any more about "inner certainties," "God-ordained phenomena," about facts other than those of a solid, empirically verifiable character? No wonder that men, who had at last been freed were crying for intellectual probity, rationality, justice, and freedom, and that they were reluctant to face fresh barriers, limitations and conditions. It was scarcely to be avoided that in this state of affairs, Evil should give birth to Evil, but it would be all the less excusable today not to wish to distinguish clearly between what was justified reaction and what fatal exaggeration.

Rationalist folly is not merely a reaction to political Absolutism but is in effect its continuance, at least in spirit and partly even in aim. This is particularly true of France, that nation whose intellectual fame illuminated all Europe during the eighteenth century and which yet played such a fateful rôle in the aberrations of rationalism. Thus the task of explaining rationalism historically narrows itself to a large extent to a comprehension of the social and intellectual history of France. On this point one can but repeat what the best social critics in France have said for the past hundred years; namely, that thanks to the poisoning effects of absolutism and centralism she manifested highly pathological traits which are continuing to burden French history to the present day and which render probable the claim, made by various writers that France has been the cradle of the modern revolutionary spirit and of socialism.

Let us remember the centralisation of the French nation, so destructive of all healthy and regional organisation which the French revolution, the Empire and all successors up to the Third Republic did but continue and indeed emphasise; a nobility without occupation, absent from the land, divorced from the realities of life and the responsibilities

of government who of necessity were bound to decay from boredom, "artism" and cynicism; an "élite" who, lacking more edifying occupation devoted themselves to the cultivation of style and phrase-making and hence to the perilous tyranny of words; and a society of the salons which imparted the highest culture and the most exquisite taste, but on that account, revolving on its own axis, hovered above real life, and irreverently reduced everything to a mere object of intellectual entertainment in a World of Appearances. That is a crude but surely not essentially incorrect sketch of the historico-social and intellectual atmosphere which caused a misguided rationalism to blossom.

With Hippolyte Taine, who in his book, "*L'Ancien Régime*" has sketched a picture which, in spite of criticism, remains convincing in the main points we too might ask the question: what was the share of the "classical spirit" in these aberrations of rationalism (in spite of Faguet's denial) a spirit which in that intellectual and social milieu thrived like anything and which has been celebrated in our days in characteristic manner by the reactionary group about Ch. Maurras and the late L. Daudet. But Taine's sketch will still require many additions and corrections if only because of the question whether one of the most profligate and fateful acts of the ancien régime, namely the revocation of the Edict of Nantes (1685) which completed drastically the destruction of the great work accomplished by Henri IV, may not also have powerfully contributed to French rationalism. This act robbed France of a set of people who were distinguished for their faith and for their high sense of moral values, quite apart from the fact that this also led to the creation of a "France in exile." These were people who, with the determination and the dogmatism of the pursued and uprooted, sounded the battle cry against authority throughout Europe and produced the first types of those floating intellectuals in considerable numbers in whom, for better or for worse, rationalism always finds a rich breeding ground. It might also perhaps be asked whether France might not already on grounds difficult to discover have intrinsically possessed an inherent tendency to a dogmatic rationalism, and what share the unbroken tradition of Roman Law, an unmistakable juristic formalism, and the predominant position of the class of lawyers so closely allied with it may have contributed to the aberration of rationalism in France.

It can scarcely be denied that the problem of the aberrations of rationalism is in no small degree a specifically French one. Whoever compares the spiritual climate of France in the eighteenth century with that of England, Germany or Switzerland can hardly mistake the difference between a dogmatism bordering on nihilism on the one

hand and the greater mental balance and sense of values on the other, between Diderot, Voltaire or d'Alembert on the one side and Hume, Smith, Johnson, Lichtenberg, Lessing or the Zurich circle on the other; and the exception of Berlin (whose freedom existed according to the embittered witness of Lessing solely in "Bringing to market as many insults against religion as one pleased") goes to increase this contrast still further. Characteristic is also the inner conviction with which the Zurich enlightenment had fully grasped how, out of such variegated and contradictory material which the no less contradictory character of Rousseau offered, to accept the progressive element whilst putting aside what was affected. It was perhaps above all Pestalozzi who understood how to straighten out the educational theory in "*Emile*," which in spite of its positive side most clearly reveals the conceptions of a misguided rationalism. In Switzerland the old traditional freedom of the people was just as alive as it was in England, whereas unfortunately for France the century old centralism and absolutism of the French monarchy had already disclosed the path which the doctrinaires of Paris had only to follow to the end. If the French peasants had nothing more urgent to do than burn the archives with the castles, the Swiss peasants clung to their mediaeval documents with as much tenacity as the English to their Magna Carta and the precedents of their Common Law.

Now irony would have it that the chief moving spirit of democratic doctrinarianism should have been, not a subject of His Most Christian Majesty but a Swiss, the "*citoyen de Genève*," Jean Jacques Rousseau. Here every attempt to deduce the errors of rationalism from the history of any single country must break down. Thus we are impelled to pursue our enquiries a step further and to turn to a new element, the *theological*.

As regards Rousseau as a political theorist—there were of course many other wholly different sides to the character of this important, complex and fruitful thinker—we cannot but do justice to Emile Faguet and recognise in the democratic dogmatism of the "*Contrat Social*," which breaks into a theory of totalitarianism, the distinct influence of Calvinism. In this Rousseau is only following a tradition which goes back through Jurieu and Grotius to Calvin and which raises the question of to what extent the Genevese reformer's gloomy and dogmatic fire, differing so greatly from Zwingli's good sense, carries us back again to the Franco-Latin inheritance of an uncompromising rationalism and formalism.

The theological component would now offer us a possibility of taking into account that error of rationalism to which England and the rest of the world subscribed during the nineteenth century as much

as France; namely, as we have seen, to that economic Liberalism distinguished for its sociological blindness and dogmatism ever since the end of the eighteenth century. If this historical Liberalism in complete confidence in the "natural order," in the "Invisible Hand" (A. Smith) which guides egoisms freed from all limitations to the aim of greatest happiness of the greatest number in blind disregard of the political, social and moral factors and embarks on a positive crusade to obtain freedom for the laws of the market to function, it is clear that we may attribute the responsibility in the first instance to the theological-metaphysical conception of a Divine Wisdom doing all for the best but Whose beneficent rule is recognised only by the enlightened and to question Which would be impious and wrong. When we pursue this thought extraordinarily interesting perspectives open out to us. Then we recognise how, together with the necessary diminution of this theologico-metaphysical attitude liberalism fell into a decay in which also the fundamentally sound and pioneering element finally perished.

In close connection with this theologico-metaphysical basis of rationalism there exists also that type of moral and sociological blindness which we come across in the form of *absolute optimism* as regards humanity's natural virtue and wisdom. This is just as mistaken as the deeply-rooted *absolute pessimism* of some theologies. This optimism too belongs to the fundamental errors of rationalism which, in the rationalistic state and educational doctrine, in economic liberalism and in socialism, has led to such fatal results and well merited disappointments, just as its dogmatic counterpart, pessimism, has up to now brought about the corresponding medley of reactionary doctrines typified by Hobbes, de Maistre or Haller.

#### SCIENTISM AND POSITIVISM

Even now we are not at the end of our analysis of the causes that have led to intellectual error. There remains the equally difficult and urgent task of following that particular development which we might paraphrase as "Positivism," "Scientism" and "Technicism." The thought world which these hideous verbal creations set before our eyes will occupy us exhaustively in the next chapter so we will satisfy ourselves here with a few remarks. We only want to mark the place that the development which we are about to consider takes in our history of the pathology of intellect. Let it suffice for the purpose if we describe what we mean as the "natural-science-mathematical" intellect contrasted with the "historical intellect" (Ortega y Gasset); the intellect of the "esprit géométrique" which over-reaches its proper sphere and subjugates the life of the spirit and society to the wholly

inappropriate categories of thought common to mathematicians, natural scientists and technicians.

This quantitative scientific type of thought revolving round number, mechanics, curves, laboratories, and empiricism and which is now inflicting itself upon social and spiritual life, was to be encountered even in the seventeenth century with a fanaticism which could induce a Malebranche to break with an old friend because he happened to notice lying upon his writing table so useless a book as Thucydides ! Today enthusiasm for this education in the natural sciences has become somewhat stale as we know how useless, indeed harmful it is for the solution of those burning problems of humanity, of society, economics, and history, and since we have grown tired of solar systems, of atoms and chemical experiments, so fanaticism of the type we have described above seems to us both foreign and uncanny. It must now be clear to most people that we have to do here with a particularly gross error on the part of rationalism, into which people of the last century were led by the amazing successes achieved by the natural sciences and technology and through the decay of the Humanities in education.

But are we not here becoming involved in an awkward contradiction since we have attributed a certain blindness to facts to rationalism and now describe a type of thought which clings most deliberately to what is verifiable and measurable as a rationalist error ? Does not this ideal indeed represent a praiseworthy humility, something the exact opposite of rationalistic hubris ? Unfortunately it is anything but humility ; it is the height of hubris. How is this possible ? It is possible because of a trick played with the words "fact" and "experience."

Here as elsewhere we must insist upon a clear distinction. It would not do to drive the conception of "Positivism" so far that every philosopher who wishes to cling to experience alone and who refuses to speculate about immortality or ultimate origins as beyond the realm of experience, comes under this category. For that would leave us only the choice between Positivism and lofty metaphysics which would mean putting empiricists of every shade with positivists in the narrower sense—let us say the Humes and the Comtes—in the same pot, whereas every opponent of Positivism would then necessarily be a metaphysician of the type of Hegel. It is thought, as in economic policy, to drive us into a corner by a simple alternative, but we say : "tertium datur." Empiricism is not like Positivism, rather one should respect the historically grounded use of a word which, after the pattern of Saint-Simon and his numerous spiritual disciples, describes Positivism as a sub-species of the general family "Empiricism," as a particular form which is characterised by a peculiar conception of



facts, namely that which accepts as facts only those to be verified by the senses and by that kind of observation which is common in natural science whilst ignoring all others—especially the moral facts of life, history, and society.

Thus we arrive at that quantitative, mathematical scientific thinking which we would describe as "Scientism" owing to its autocratic demands on life and society and which has been a fundamental cause of the errors of rationalism, since thinking of that type must necessarily be blind to the special nature of life and society, phenomena which contain quality, structure, continuity, and form.

It is a type of thought which relentlessly ignores mankind as a spiritual and moral entity and which knows almost nothing of all these eternally human and social values, problems and their mutual relationships which, being elusive because qualitative and subtle, can be familiar only to a humane, historical, literary and philosophical type of educated mind. It is a type of thought to which the spiritual and historical development of Positivism and Scientism corresponds, and in the development of which those Encyclopaedists who were interested in mathematics and the natural sciences such as Condorcet, the École Polytechnique, Saint-Simon and Comte represent important stages, and it is all part of it that engineers, physicists and chemists should have had the principal say. At this point the further path to "Technicism" and collectivism becomes clearly visible, to that collectivism which treats society as also man himself as a machine. About this we shall have more to say in the next chapter.

We see the problem of Positivism is also that of the conception of "facts" and upon that it has come to grief. Mephistopheles has impressed his scorn upon it (Faust, II, 1).

"Thus do I recognise the learned gentleman!

What has not touched you stands a mile away,

What you have not grasped you altogether lack.

What you have not reckoned you say it is not true,

What you dare not has for you no substance,

What you have not coined that does not count."

But to allow only those facts which lie outside our immediate perception to count means a complete orientation to the methods of natural science. Hence "Scientism," hence the attempt to apply the laws of natural science to society, and hence that combination of scientific hubris and the engineer mentality which hoped to be able to do just as it pleased with Man and society. And hence on the other hand also the tendency to cultivate the moral sciences according to the methods of natural science and to limit oneself to what can be

measured, weighed and documented; hence Behaviourism in Psychology; the thirst for documentation; Pragmatism in the sense of William James; the not bothering about Man as a creature of moral intelligence but regarding him as a zoological category in theories of evolution, heredity and race together with a layer of disastrous sociological, economic and political dogmas and their even more disastrous practical results; hence the tendency to rubrication, classification, and definition ("Terminologism") and the piling up of unimportant facts.

That is the inevitable end of Positivism and it is no less inevitable that Positivism in the social sciences—in jurisprudence, economics, in sociology—leads to relativism in the sphere of moral values since it would deny the truth of inner experience or of natural law against the "positive" law. The dictum "Quod non est in actis, non est in mundo" finds here the just application. Later on we shall see that other specific developments are connected with this relativism, developments which are leading to the suicide of the intellect and to a timid evasion of all synthesis. That is the route which all this rationalism is taking and no one can pretend any longer that he does not know its precise destination.

---

#### NOTES

##### 1. (P. 45) *Rationalist Internationalism.*

We have the good fortune to possess an analysis in the form of a letter which the late Dutch historian *J. Huizinga* addressed to *J. Benda* as a reply to the latter's "Discours à la nation européenne" ("L'esprit, L'éthique et la Guerre," Institut International de Co-opération Intellectuelle, Correspondence No. 3, Paris, 1934). In his "Discours" as well as in his better known work "La Trahison des Clercs" *Benda* has revealed himself as an outstanding type of rationalist in all his nobility but alas also in his fatal tendency to dogmatism which prevents him from recognising the value of the nation. Whereas he rightly reproaches the chauvinistic "Clercs" with being traitors to their mission he now with characteristic rationalistic blindness falls into the opposite extreme of denying the true and objectively known value of the Nation. This too is a "Treason of the Clerks." The wiser *Huizinga* impressively points out his mistake and challenges him, "Souffrez que la nature garde ses droits . . . La nation en tant qu'elle surgit d'une idée de justice, est de naissance noble." Is it necessary that this sense of balance should be the privilege of a subject of a small nation? We must of course add when we take cognisance of *Huizinga's* statement that we cannot grant nobility of birth to every concrete nation of today. At the same time the type of internationalism represented by *Benda* easily leads to that decadent form of pacifism which rather than resting upon the idea that Life is good takes the point of view that nothing is worth a fight.

2. (P. 49) "*Acts of God.*"

The case mentioned in the text of the Spanish governmental committee in the time of Philip II (*Gregorio Marañón*, Olivares, translated by L. Pfandl, Munich, 1939, p. 217) in spite of its crudeness is a true picture of the absolutism of the time and of a jealous theology, which, not only in the Catholic camp but also in the Protestant placed itself at the service of national absolutism. When we describe this period as that of the Counter-Reformation we do not wish to be unjust and imply that this state of affairs was limited to Catholicism or even typical of it. Not only was it a time of general theological austerity, to which indeed the Reformation had given the impulse, but today it is regarded by leading Catholics as a wholly singular phase in the development of Catholicism, a phase characterised by shameless excess and abuse.

3. (P. 50) *The French contribution to error.*

The difficult and delicate subject can be suitably treated only within the framework of a comprehensive analysis of the social and spiritual pathology of France which would be given due perspective and completion in a corresponding picture of the social and spiritual pathology of England and Germany. The present indications are the outcome of exhaustive preparatory work which I have undertaken for this purpose and which must of necessity be fragmentary. As far as the case of Germany is concerned I refer to my book, "*The German Question*" (London, Allen & Unwin, 1946). Suffice it to say here that in Germany's case it is not so much a question of errors of rationalism but of paths of irrationalism and that this tragic chapter belongs not to the eighteenth century but to the nineteenth and twentieth. Now as regards the eighteenth century it can scarcely be doubted that at that time France occupied a special rôle the splendour of which had to be bought at high cost: "*une lassitude et une impatience de toutes les règles, de tout le joug social*" *E. Faguet*, "*Dix-huitième siècle, Études littéraires*," Paris, 1890, p. 302, the tendency to "take notice of things almost only ad probandum so as to derive some proof or other that what exists ought to be condemned." (*J. Burckhardt*, "*Historische Fragmente*," 122). For Germany in the eighteenth century see also *C. Gebauer*, "*Geistige Stromungen und Sittlichkeit im 18 Jahrhundert, Beiträge zur deutschen Moralgeschichte*," Berlin, 1931.

4. (P. 50) *France as the cradle of Revolution and Socialism.*

That this point of view is not exaggerated is confirmed by such varied authors as *J. Burckhardt* ("*Historische Fragmente*," V), *G. Mosca* ("*The Ruling Class*") or *Ortega y Gasset* ("*Toward a Philosophy of History*," New York, 1941, p. 77 ff.) where it is rightly pointed out that as the chief outcome of all French revolutions France has largely been governed autocratically. And they are all of them agreed that the reason is to be sought in the relationship marred by absolutism and centralisation, of the individual Frenchman to the state. That modern socialism received its impulse from the Paris of 1830 to 1848 has two special causes: firstly, the congestion of the big city and secondly, the previous intellectual activity about which we shall learn more in the next chapter.

The disturbed relationship of the Frenchman to the state and society which strikes us so forcibly and which tended to make him regard the state as his enemy and which produced a singular lack of unity visible even in the exterior form of the cities (see among many other witnesses, *J. Giraudoux*, "*Pleins Pouvoirs*," Paris, 1939) had two causes, one of which cannot be attributed to their fault, while the other is all to their credit. The Frenchman is the victim of a centuries-old absolutism and centralisation, about the character and consequences of which all experts within and outside of France are agreed. "*Une centralisation qui confisque et absorbe l'activité de la province et de la commune, un budget énorme, une Église d'État, ou du moins une religion de la majorité, une éducation officielle, une justice hiérarchique, une presse toujours réglementée et constituée en monopole, voilà ce qu'on retrouve sous tous les régimes.*" (*E. Laboulaye*, "*L'État et ses limites*,"

Paris, 1865, p. 160). This fatal centralisation finds its classical expression in the true story about the Minister for Education who, during an interview suddenly pulling out his watch proudly informed his visitor that at that precise moment in the whole of France all the schoolchildren of the same class were all writing an essay upon the same subject. (*Odilon-Barrot*, "De la centralisation et ses effets," Paris, 1861, p. 246). Now a nation with a thousand years' experience of over-government may react in various ways. It may be educated to pious servility and obedience and this is perhaps the normal, at least Germany has given us this example. It can also rebel like "écoliers tenus trop longtemps sous la férule" (*H. Taine*, "Histoire de la littérature anglaise," tenth edition, Paris, 1897, p. 80). That all honour is due to the French for the latter reaction in no way alters the fatal result brought about by this combination of too much governance and a naturally rebellious character, fatal for France and for the rest of the world which has felt its effects.

The "esprit classique" must have been a contributory cause. No less a person than *Benjamin Constant* (in his *Lecture* which is still worth reading even today "De la liberté des anciens comparée à celle des modernes," *Oeuvres politiques*, Édition Louandre, Paris, 1874) has attributed the unwholesome tendency to an anti-liberal form of Democracy shown by Rousseau and those fiery revolutionaries whom he influenced, to that exaggerated enthusiasm for antiquity which induced the French to take the Greco-Roman idea of freedom in the form of "liberté collective" (sovereignty of the people) as their model whilst denying liberty of the individual ("liberté individuelle"). Today how well we know how deeply Rousseau was influenced by Calvinism.

5. (P. 51) *The effects of the Revocation of the Edict of Nantes.*

Upon this theme which has been treated in French literature again and again and with remarkable unanimity compare for example *Frédéric Le Play*, "La réforme sociale en France," second edition, Paris, 1866, vol. 1, p. 25; *Paul Hazard*, "La crise de la conscience européenne 1680-1715," Paris, 1936.

6. (P. 52) *Rousseau.*

One of the best introductions to this most highly complex and influential philosopher must still remain *Emile Faguet's* "Dix-huitième siècle," *Études littéraires*, Paris, 1890. Upon the political influence of Calvinism; *M.-E. Chenevière*, "La pensée politique de Calvin," Paris, 1937; *Georges de Lagarde*, "Recherches sur l'esprit politique de la Réforme," Paris, 1926. The mixed sentiments of hostility and sympathy in Rousseau's relationship to the Zurich circle, the importance of which for the spiritual history of Europe can scarcely be over-estimated, are the subject of studies by *Leonore Speerli*, "Rousseau und Zurich," *Erlenbach-Zurich*, 1941, and the subject has been dealt with in a wider framework by *Carlo Antoni*, "La lotta contra la ragione," Florence, 1942. For the tendency to subordinate the individual to the state with undisguised sympathy for the theories of Rousseau and to tag on national socialist totalitarianism, *Otto Vossler's* book, "Der Nationale Gedanke von Rousseau bis Ranke," is of interest, Munich and Berlin, 1937. It is furthermore expressly emphasised that the presupposed influence of Calvinism upon Rousseau refers only to the "Social Contract"; thus the question remains quite open whether *Jacques Maritain's* "Trois Réformateurs," Paris, 1925, and *Ernest Seillière's* "Du Quiétisme au Socialisme romantique," Paris, 1925, may not have been right in thinking that the influence of Calvinism on Rousseau was less than that of specific Catholic heresies of the seventeenth and early eighteenth centuries, particularly Quietism.

7. (P. 52) *Theological components of errant rationalism.*

The no-less important than insufficiently recognised inter-connections are analysed by *Alexander Rüstow* in his appendix to my book "International Economic Disintegration," London, 1942.

8. (P. 53) *Absolute optimism as regards Human Nature.*

In this connection the teaching of the much misunderstood *Frédéric Le Play* has come into fashion again (see *Luigi Einaudi*, "Il peccato originale e la teoria della classe eletta in Federico Le Play, *Rivista di Storia Economica*," 1936, Nr. 11).

10. (P. 54) *Decreasing popularity of Natural Science.*

Older readers—at least on the Continent—will still remember the time when the interest of a wide public was arrested by a widespread and popular literature dealing with natural science, through popular periodicals and means of an actively pursued campaign of lectures all of which served to satisfy a general thirst for education and knowledge. The striking interest which youth is taking today in technical matters can hardly disguise the fact that those days are over. "The pleasure in investigating a bottomless pit soon fades" (*M. Roberts*, *supra* p. 259). Likewise *Ortega y Gasset*, a.a.o., p. 185 ff.

11. (P. 54) *Insufficient distinction between Positivism and Metaphysics.*

*Pareto* is typical of the tactics mentioned in the text. As *Einaudi* remarks (*supra* p. 12) rightly, he has contemptuously included a man like *Le Play* among the metaphysicians. *Le Play* is a good example of a man who can be an empiricist, that is to say who deduces everything from observation, without necessarily being a Positivist. *Pareto's* brutal sociology indicates who is the gainer by these tactics. Compare also *Ortega y Gasset*, *supra*, p. 165 ff.

12. (P. 55) *The history of Positivism and Scientism.*

The best description is in *F. A. Hayek's* important essays, "The Counter-Revolution of Science," *Economica*, February, May and August, 1941, and "Scientism and the Study of Society," *Economica*, August, 1942, February, 1943, and February, 1944. And it is also worthy of note that it has always been doctors of medicine, biologists and psychologists who have ranged themselves against Positivism and Scientism in the sphere of natural science. The first protest went up from those men who were in the circle of *Destutt de Tracy* (1754-1836) and the Paris School of Medicine, whose designation as "Idéologues" Napoleon, who must have found them particularly disturbing, used just as it is still currently employed today in a derogatory sense.

13. (P. 55) *The difficult conception of "Fact."*

The essence as also the weakness of Positivism is to be found in the narrow grasp of the conception of "fact." The supreme leader of Positivism during the nineteenth century, *Auguste Comte* expressed himself on the subject as follows ("Cours de Philosophie Positive, iii," p. 188 ff.): "Le véritable esprit général de toute philosophie théologique ou métaphysique consiste à prendre pour principe, dans l'explication des phénomènes du monde extérieur, notre sentiment immédiat des phénomènes humains; tandis que, au contraire, la philosophie positive est toujours caractérisée, non moins profondément, par la subordination nécessaire et rationnelle de la conception de l'homme à celle du monde." From all which follows the depressing fact that Positivism must lead to the dissolution of Humanism. This is clearly seen when with *M. Roberts* we view Humanism as "that conception of all human individual rights and duties which are the common property of all the great occidental philosophies. We mean by this, that we regard human life as more than a mere struggle for animal existence and we have the conviction that the moral, spiritual and aesthetic powers are just as real and concrete as the power of brute force."

In the text one of the examples mentioned is positivist psychology (especially Behaviourism). "This conception of psychology which would base psychological experience upon verifiable scientific observation, which thus methodically includes

it within the natural sciences and which simultaneously discerns its specific aim in a structural demonstration of the total reaction of a living being to changes of environment (stimuli), as can be readily seen, accords with the scientific method of thought of Neo-Positivism; it also corresponds to the Positivism of *Comte* in contrast with empiricism of *Hume* and *Mill*, who everywhere go back to self-observation as the source of knowledge." (*Ernst von Aster*, "die Philosophie der Gegenwart," Leiden, 1935, p. 195 ff.)

14. (P. 56) *The Political Consequences of Scientism.*

In this connection one should compare the following taken from a memorandum of a National Socialist party leader (according to the weekly periodical "Die Nation," Berne, 1942, No. 13): "The Christian Churches are built up on the ignorance of Mankind . . . in opposition to this National Socialism must always be directed to the latest discoveries of scientific research . . . The natural power by which all these numberless Planets move about the Universe we call the Almighty or God." This is a late echo of the train of thought set in motion by Saint-Simon and Comte and which perhaps achieved its highest point at the turn of the century, and at the same time an interesting confirmation of the fact that the furthest waves of thought only reach those lowest strata of society still susceptible to them when a complete change of sentiment has already long taken place in the minds of the leading circles. Here we have finally a particularly pregnant example of that very narrow conception of "scientific research," which we call scientism and which we can only fully grasp when we ask ourselves the question whether the "scientific researches" of the present book would have been valued by that National Socialist functionary as highly as those "latest discoveries."

This leads us to the next chapter in which these questions will be specially handled.

## CHAPTER II

### THE PLACE OF SCIENCE IN THE CITY OF MAN

#### ETERNAL SAINT-SIMONISM

WE now possess a clearer picture of a particular type of mind. The type of person who would be greatly offended by the thought that there could be too much of science or rather, science in the wrong place. When we add that what these people understand by science is merely fundamentally the narrow territory of the "positivist" and "exact" natural sciences and their technical application, we can say that that type has today or at least very recently become predominant in the world. This faith in Science, thus interpreted, in its permanent and benevolent progress, in its promise for the future and its claim to absolute leadership, in a word, that positivist, technically-minded materialistic culture of the laboratories, of mathematical functions, of the microscope and of the mere, stupid facts, this gospel which, after the pattern of French phraseology we call "scientism," and with which we have already become familiar in the preceeding chapter, has today become a world religion to which Christian as well as Mohammedan, Buddhist and Atheist have devoted themselves with equal enthusiasm. The fact that science and its representatives have recently become a favourite victim of political intolerance in no way contradicts this state of affairs. For in the first place it is precisely one of the most calamitous effects of "scientism" that it swamps and suffocates genuine science centring around Man, and secondly it can be shown that political intolerance is one of the most poisonous fruits which have ripened in the spiritual climate which "scientism" has created in the last hundred years (see Note 14 at the end of the previous chapter).

These people who have given themselves up to the cult of "scientism" believe themselves to be in alliance with all the powers of Light, wisdom and progress against the powers of darkness, and if they would quote Goethe they might perhaps reply with Mephistopheles, "Disdain Wisdom and Science—Man's greatest gifts—and I've got you." But if they would stick to "Faust" they would come upon that other verse about "the learned gentleman" whom we have already met! So Goethe shows us how the Devil will have us in either case; whether in a sense we disdain Science, or whether in another sense we raise science up to be a pedantic mistress. To decide one way or the other is automatically to solve the problem, what limits and conditions are set to Science and wisdom, and what place is appropriate to them in a healthy society.

It seems that Goethe, when, in his old age he coined that mocking verse against scientific Positivism, was feeling that he ought perhaps rather to counter-balance his earlier exhortations about respect for Science. For in the meantime considerable and weighty changes had taken place in the spiritual climate of Europe which, to a man who embodied in himself a wonderful synthesis of the natural and the spiritual must have been the source of considerable anxiety. The eighteenth century had given place to the nineteenth and out of the formerly still undecided struggle between a humanistic and tolerant "Enlightenment" and the intolerant and unbridled positivist-mechanistic Rationalism of the Encyclopaedists, the latter had finally emerged as the victors. The French revolution which embodied this victory politically, especially in its later phase had done everything through its spirit and its educational reforms to cut adrift from the tradition of a humanistically inspired Science and to set up "scientism" in its place. The *École Polytechnique* founded in 1794, became the Caaba of the new Islam and a new spiritual centre for the whole of Europe. Napoleon whose philosophical and literary culture was negligible but who sensed its danger for a régime like his, and his own inner relationship to mechanistic "scientism" completed this fateful development and thus paved the way throughout a whole century for that word which he himself invented, "organiser," and for those other words which were soon to follow, i.e., "development," "colossal," "unity," "power" and "modern." Those who, like Destutt de Tracy, sought to preserve the best traditions of the period of "Enlightenment"—the traditions of Locke, Hume, Condillac—were silenced and were reviled with the designation chosen by themselves as "Idéologues." With suppression of the classes of political and moral science at the Paris Institute, began the triumphant success of a calculating, measuring and technically-minded "scientism" of the natural sciences, of Positivism and Pragmatism with its familiar hubris and its dehumanising effects. It was not long before this stream was united with other corresponding tendencies outside France, above all with Hegelianism in Germany, and finally brought forth that fateful combination of Cartesianism, Encyclopaeditis, *École Polytechnique*, Prussianism, Relativism, Materialism, Marxism, Utilitarianism, Biologism, Evolutionism and Pragmatism; a veritable mixture of dynamite which was finally to blow up the whole world. We know with what misgiving and despair towards the end of his life Goethe observed the growth of all this. Ultimately the news which was exciting a whole generation of youth penetrated even to him; news of a morally somewhat unsavoury and immensely ambitious French aristocrat, often mentioned by us, but one who thoroughly understood



the spiritual drift, namely Saint-Simon, and who, though of quite rudimentary education had sucked up the atmosphere of the École Polytechnique and was spreading over all Europe the doctrine of that "scientific organisation" of society which should trample freedom and humanity under foot—a doctrine out of which have finally emerged with manifold crossbreeding on the one hand socialism, and on the other a highly organised and colossal capitalism.

This adventurer of Life and the Intellect whose intention it was—an intention which wholly succeeded—"d'imprimer au XIX siècle le caractère organisateur," had himself and through his disciples—with whom in the widest sense Auguste Comte and his numberless spiritual followers must be reckoned—sown a seed which, with unexampled fertility was eventually to create the appalling confusion in which we are having to live today. His success rests on the fact that from "scientism" he drew the final consequences for politics and the life of society and thus inevitably arrived by these means at the only possible destination, namely Collectivism. This represents the scientific elimination of the Human element in political and economic practice. His dubious glory it is that he created the model for a world and social outlook which may be described as *eternal Saint-Simonism*; that attitude of mind which is the outcome of a mixture of the hubris of the natural scientist and engineer mentality of those who, with the cult of the "Colossal" combine their egotistical urge to assert themselves; those who would construct and organise economics, the State and society according to supposedly scientific laws and blue-prints, whilst mentally reserving for themselves the principal *portefeuilles*. And so we observe those collectivist social engineers of the type of a Wells or a Mannheim who quite openly admit the point of view of "Society as a machine" and who would thus seriously like to see realised the nightmare of a veritable Hell of civilisation brought about by the complete instrumentation and functionalisation of humanity. The sort of world which has been described quite mercilessly (and deservedly so) in Nietzsche's "Thus Spake Zarathustra" (in the chapter "of the last men"), in the dreadful and forlorn last chapter of Anatole France's "Penguin Island," by the Hungarian dramatist Madách in his "Tragedy of Man," and by Aldous Huxley in his satirical Utopia, "Brave New World."

#### CRITICISM AND DISSOLUTION OF VALUES

But not all those who represent for us the "scientism" of the nineteenth century have pursued this path to its ridiculous end. The figure of the Frenchman, Ernest Renan, towers above them in his century, a writer whose importance can scarcely be over-estimated.

We would particularly mention him here, as he with his characteristic lucidity of mind put into words the religion "du progrès de la raison, c'est-à-dire de la science" in his youthful work "L'avenir de la science" (1848). Now with Renan a characteristic rupture and differentiation enter into "scientism" which enable us to carry our analysis considerably further. In the first instance Renan's spirit was sufficiently blessed with refinement, nobility of character and a humanistic education not wholly to subscribe to a materialistic scientism. And this applies also to that other great Frenchman, Hippolyte Taine, who shared the same fate of being born in a period which still demanded its tribute from the most enlightened minds. And yet this selfsame Renan who had championed the birthright of the moral sciences against the supercilious natural scientists of his day and coined the sentence, "dans les sciences de l'humanité l'argumentation logique n'est rien et la finesse d'esprit est tout," had given the most extravagant expression to the myth of Science not alone in "L'Avenir de la science," and indeed he retained his views into old age in spite of a certain reserve towards the end. Rather, at bottom he never broke loose from "scientism" in the sense of a boundless devotion to natural science. Even in 1881 he could still write, "C'est par la chimie à un bout, par l'astronomie à un autre, c'est surtout par la psychologie générale que nous tenons le secret de l'être." Likewise he shared with that scientism which emanated from the natural sciences and from the École Polytechnique that faith in the mission of rationalism for the reconstruction of society, faith in the task of "organiser scientifiquement l'humanité" and in the "oeuvre méritoire et sainte" of industrialism, and his most profound conviction which today has also become the credo of scientism he reveals with the words, "Le grand règne de l'esprit ne commencera que quand le monde matériel sera parfaitement soumis à l'homme." But he leaves to his friend, the distinguished chemist Berthelot, such oddities of view as, "la science domine tout, elle rend seule des services définitifs," or "la science seule a transformé, depuis le commencement des temps, les conditions morales de la vie des peuples." Renan—Taine who had meanwhile died would certainly have fully agreed—would have regarded as folly Berthelot's prophetic vision in the year 1894 of the future ("En l'an 2000") a picture most characteristic of scientism but horrifying to the normal individual, that nightmare which has since become only too familiar to us, of a world of chemical retorts and nourished on pills, and devoid of landscape, meadows or enjoyable work. Had Heine as a good "Saint-Simonite" depicted that "Kingdom of Heaven" which it was hoped to "erect on this earth" with "toffee for everybody," in this modernised Paradise of

the Berthelots, even the toffee would have to be synthetic—unless humanity should prefer to make an end of such a wholly purposeless and unendurable existence by hanging themselves then and there, or by simply smashing everything up.

Now if Renan, Taine and others in spite of their strong leaning towards "scientism" were not disposed to devote themselves wholeheartedly to its ultimate consequences they none the less paved the way all the more to another form of "scientism" namely, "scientism" in the Moral Sciences; to relativism, criticism, scepticism and to the dissolution and nihilism of all moral values. If the "scientism" of the natural sciences acts like dynamite, that of the moral sciences is like a corrosive acid; the one is destroying our Western civilisation from without, the other from within. If a sterile activism and soul-destroying submission to the material world characterises the one, the no less sterile and no less soul-destroying suicide of the spirit through a smug and autocratic intellect characterises the other; one which finally sacrifices the inner certainties no less than that other scientism in face of the "faits brutaux." The one thirsty for domination is externally directed, the other paralysing and destructive looks inward, relativising, analysing, criticising, and dissecting everything which comes within its reach by clinging all the more convulsively to what can be demonstrated "scientifically," i.e., to what can be measured, weighed and documented. Thus the intellect is delivered over powerless to a "scientism" greedy for power and heading for Totalitarianism and Collectivism. Positivism and Relativism hold out a brotherly hand to one another, and that parallel tendency which in Germany emanated from Hegel, leads to exactly the same result. One knows the work of destruction this "scientism" has set going to which finally the intellect itself had to fall victim. One can scarcely do better than give the words of Renan himself, who, viewing this work with the greatest satisfaction declared, "Nous avons abattu le vieille idole du respect, une idole qui ne se relève pas." We know how splendidly this seed has grown up.

Both these streams of scientism—the materialistic and technical and the critico-analytical—combine and lead to the same fatal result; to Inhumanism, Materialism, Collectivism, and Nihilism including its latest form of "Existentialism" which now has been imported from Germany into France. Their final mass product is the civilised barbarian, the spiritually stark naked savage, but one with a radio and a machine gun and now equipped with an apparatus for splitting the atom, therefore doubly and trebly frightful. A barbarian familiar with hormones, complexes, retorts, blue prints and popularised doctrines of heredity, who has never learned the beauty of Homer or

realised the permanent humanity of the Book of Job, for whom Sophocles is but a proper name in a conversation dictionary and Dante a word for a cross-word puzzle, who regards an ode of Horace or a cadence of Cicero as ridiculous and who finds Tacitus, Corneille or Goethe, boring in the extreme, who connects only the most outward symbols with Christianity, whose literary interest is exhausted in crime stories and light novels, whose cultural requirements find their satisfaction in snobby phrases picked up in the cinema; and whose feeling for nature can be satisfied only by simultaneously treading on an accelerator or a pair of skis; a barbarian whose head, in accordance with the new educational requirements of the scientific age, is filled exclusively with "useful" knowledge and who cannot grasp that abstract natural science and physics possess quite a different educational value from the moral sciences or biology; that the science of mathematics is an admirable, nay an indispensable training for the intellect but that when it has done its work it can be put aside, that we can even comfortably forget the formulae of trigonometry. The philosophical, historical, literary, social scientific or biological elements of education, however, must be continually developed and increased if we wish to preserve ourselves as a tiny part of the bridge which carries civilization across the centuries.

Thus the broad stream of Western culture and tradition has become thinner and thinner and dwindled to a little drain which threatens finally to ooze away in the "growing desert" of which Nietzsche spoke and leave ever fewer guardians of our inheritance who for their part might say with Horace:

*"aetas parentum peior avis tulit  
nos nequiores, mox daturos  
progeniem vitiosorem."*

But those who are already cut off from this traditional stream of civilization, form a large part of those to whom today the shaping of our world has been entrusted and these people are forming it in the spirit of organisation, of planning, of the rationalisation of society, of the functionalisation of Mankind and of Collectivism, that is to say in that spirit to which one can feel related only if one belongs to the cultureless final products of scientism. This development implies at the same time the surrender of the specific inheritance of occidental civilisation, whereas a positivist scientific civilisation, that of the laboratory and the microscope, is being suggested as a recipe ubiquitously and can be eventually turned against the occidental itself. The final result is a merciless, dehumanised—whilst Godless—lead and dreary world.

## THE ROLE OF SCIENTISM IN MODERN SOCIETY

Everything we have said hitherto about "scientism" will take on more colour even at the risk of repetition if we turn our attention to a particular country and continue with our analysis from a concrete example. It is significant that a country which had devoted itself willingly to the disruptive tendencies of an analytical "scientism" should have fallen victim to a process which is afflicting the entire civilised world and now come into collision with another country to which it had bequeathed the explosive force of a dynamic and technical scientism. It is obvious that this aspect of the matter should have been considered above all in France after the collapse of 1940, a country which had introduced the expression "scientisme"; hence France felt as a leader of the intellectual development of the West not only her responsibility but also her heavy share of guilt. And has not this guilt become her own destiny, just as that hubris which has ever proved so disastrous to peoples and nations?

Even long before France's defeat, indeed already in the nineteenth century, there were not a few melancholy undertones to which a prophetic gleam can be attributed today. Already with Renan who discerned in the analytical power of the French mentality both its limitations and the cause of its subsequent abdication, begins the type of those Frenchmen who, with a justified pride in French genius combine the sentiment that, together with the spiritual inheritance of the Greeks, they might be condemned to take over their political fate as well in the guise of modern Graeculi, as victims of spiritual and artificial "raffinement"—a state of being which in the long run is not consistent with political power that had better been left to the more robust Macedonians and Romans. In this frame of mind people can easily enjoy being melancholy just as did Renan up to a point and more recently André Gide quite decidedly. But such thoughts can also be used contrariwise for self-examination and to summon up power to exorcise a corrupting artism and intellectualism. This was the spirit in which no less a person than Clemenceau after the first World War wrote his persuasive and prophetic book on Demosthenes, a book which has become so uncannily topical.

That this spirit of self-examination and exhortation was active in France cannot escape any observer. Particularly characteristic of this—and indeed of those exaggerations to which one is apt to be liable when one is suffering from a bad head—is the fact that in 1941 there appeared in Paris under the title "*L'Avenir de la science*," a symposium by representative personalities fully a hundred years after Renan had sounded the fanfare of scientific optimism under the same title. Some

aspects of scientism expose themselves to this gleam sharpened by repentance and are able to enrich our general picture significantly. Thus it was shown that from the belief in the unlimited primacy of Science in the sense of analysis as opposed to synthesis—and of the “esprit critique,” a veritable intoxication developed which filled a whole century of civilisation—in France from 1848 till 1940—and lent it a uniform character which we are able to recognise as such only now in the cold light of sobriety. What a distance we have already travelled from that period of scientific rationalistic absolutism can be discerned from the fact that we find expressions such as “modern” and “progressive,” which a short while ago we took for granted as a harmless matter of course, today exposed in all their dubious relativity, and to such an extent that looking back we can speak of a *century of modernism*. The veil is torn asunder and we recognise that the formerly “modern” has also this in common with the fashions of dress, that the “modern” of this year is the hopelessly outmoded of the next and will be regarded with the same disdain as an incomprehensible eccentricity. What is dangerous is that this game will sooner or later be exposed and lead to a fundamental scepticism, in which also the unchanging values of a healthy and well-balanced Science will be sacrificed. So once again here also an over-sharpened intellectualism ends up in crass anti-intellectualism.

Upon a foundation of contradictions and disharmonies of this sort, which gives anything but stability to the building, arises the Temple devoted to the cult of Science and analysis. But this cult also signifies at the same time the cult of dissection, of the “*petit faitisme*,” of “precision,” of endless documentation, of Empiricism and Historicism, of the quantitatively measurable, of research *more geometrico* to the detriment of the humane sciences (the moral sciences), and their orientation towards the natural sciences as the one ideal to be pursued in everything. It signifies a continuous heaping up of knowledge with always greater disregard for Man as its centre; “progress” for the mere sake of “progress”; the tendency to eccentricity and originality at any price; the ever further penetration in the realm of the infinitely great and the infinitely small. Hence it signifies increasing inhumanism; a mania for discontinuity; the taste for convulsive, explosive changes, for revolutionism and dynamism (a treacherous word invented at this epoch); the tendency to naked “terminologism,” to the magic of words; a passion for designation and for classification which would seem to guarantee us the existence of a thing only after we have classified and defined it.

But the cult of analysis implies simultaneously disdain for synthesis. It means ever more specialisation, the breeding of a learned type—

the "research official"—who "continually digs for treasure and is happy if he finds a few worms," or worse still, who sets out only to look for worms and has long since given up the search for treasure as unscientific. With this is combined the mania for drawing bills on the future and to prolong them indefinitely, always speaking of future things, "the shape of things to come," these promises of a thousand years' Empire of Happiness just round the corner and the tendency to leave over all inconvenient questions to be answered by a wiser future. We already know the bridge which, on the one hand, leads from this many-sided cult of Science—which nevertheless springs from the same root—to technicism, to activity for the mere sake of activity, to the "cult of the future," to collectivism, and to the cult of the "colossal"; on the other hand to Nihilism, and to what we would designate quite simply and crudely *moral* and *political* illiteracy. One step further and we shall have achieved that vision of a wonderful future: your private cinema in your own home, aerodynamic expresses, a unified world electricity network (which can then be switched on or off by one and the same person), aeroplanes flying with the speed of sound, atomic bombs, agriculture confined to the laboratory, complete urbanisation, prolongation of life to two hundred years (which will permit us to enjoy this Paradise ad nauseam) and the scientific control of mental life and of propagation of the species. A vision only overshadowed by the thought of the immense capacity for destruction which this self-same scientific future has prepared for us.

If this latter thought is likely to damp humanity's enthusiasm for scientific technique, and if worry about the economic and social consequences of mechanisation absolutely overwhelms us, we shall again fall victim to scientism if we still cling to our confidence in the power of organisation to which scientific thought in the past has educated us. Thus "scientism" reduces itself today principally to an optimistic belief in progress by means of a mechanical leadership of society (Saint-Simonism). If an unbridled technique has destroyed the social balance and rendered mass unemployment a permanent danger, then according to this view, one should imitate the example of the collectivist countries and replace the cosmos of prices and markets by an economy of planning. In that event we hit upon those communistic plans of the state taking care of the masses and the transformation of the government into a gigantic "Board of Directors" managing national economic life like an immense firm, plans in which in many countries the wisdom of the reformers seems to have exhausted itself. Hence in this way we shall have happily reached the same destination of the "Brave New World," one to which Saint-Simon was anxious to set us off more than a hundred years ago.

What is really so astonishing about all these plans is the supreme indifference with which their sponsors ignore how such an over-organised and over-sophisticated society with its cogwheels and what-not and its interminable regulations will actually appear in its administrative, sociological and political aspects. When reading authors who advocate such developments one asks oneself on every page with increasing impatience: "Won't such a clever chap ever grasp what is likely to become of man created in the image of God in this Paradise even if everything does go without a hitch there? What does this social Eudaemonianism signify when translated into the everyday practical life of politics? Would it really be an improvement if Humanity were to become the slaves of an ant-heap or would it not perhaps be better to retain our dependency on nature from which we have to extract our support by the sweat of our brow? Why doesn't the fellow ask himself the question which kind of dependence is more in keeping with his human dignity?"

We are still a long way off from even a relatively complete analysis of "scientism" in all its various branches. Of much which is very important and which might be dealt with exhaustively in a special treatise, scarcely a hint can be given here, i.e., of the characteristics of those learned gentlemen who have succumbed to "scientism"; of that mass-mindedness in Science itself which pushes the personality of the research worker ever further into the background and which has brought into being veritable serfs ("Kolchoses") of Science in the laboratories and institutes; of the effects of "scientism" on education; of the utter futility of a science which progressively heaps up matter, which is always measuring, analysing, and documenting but which continually gets further and further away from a synthesis; of the effects upon art. But we also ought to say something of the undiminished greatness of a genuine rationalism which in these days many in their extreme reaction against the follies of a misguided rationalism are willing to exchange for the opium of an oriental mysticism which is once again threatening Europe.

In an analysis of this sort it would also be necessary to redetermine the essence, value and mutual relationship of the natural and the moral sciences and to re-establish the balance between them, one which has been upset by "scientism"; and whilst denying the claim to leadership of the natural sciences we should not omit criticism as regards a certain deterioration in the moral sciences. Nor should we neglect to do justice to the peculiar position of Medicine which, as it must deal with man as a psycho-physiological whole, more than any other branch of science is called upon to be a corrective to the "scientism" of Natural Science, and is fulfilling its duty as Medicine only if it



energetically stands up to "scientism," and regards itself not only as a branch of Natural but also of Humanistic Science, one in which Man is the central figure. One would have to show to what danger and illusions the laboratory can lead and what hubris it can breed. And furthermore one could enter upon a disquisition on the professor type and an existence which, besides its invaluable positive aspects and social functions, can at the same time bring with it the evils of intellectualist monomania (you get the same thing with artists), of a sublimated egoism and unfitness for practical life if not based on wisdom and a feeling of developed personality; in short, a discussion of the risks which Paul Bourget has analysed in his classical novel, "Le disciple," far better than dry research can do. And with a delicate feeling for the intricacies, meanderings, paradoxes and self-deceptions of which the intellect is capable one would have to trace all the errors of Science degenerated into "scientism" and its contaminating effects. Finally one would have to say something about the anti-human and indeed anti-Christian fatalism and determinism to which scientism of this sort has led mankind after having destroyed their faith in all else; about men who, either as shallow optimists riding upon some "wave of the future" or other, or for whom, as weak-kneed pessimists, life and history have become a sort of Wagner opera in which all the songs together are incapable of dispelling our foreboding of the final doom.

Enough! But there is another point which must be dealt with so that there may not remain the smallest excuse for a misunderstanding. Since it is a scientist who has been indulging in an unsparing criticism of a science which had succumbed to the false steps of Hubris and absolutism, and who has taken the trouble to demonstrate what society must *not* expect from Science, and the risks to which society can in certain circumstances be exposed by it, it might possibly occur to some people to regard this effort as a mere rehash of Rousseau's theme of the "corruptibility of the Arts and Sciences." This is not so. Having expatiated upon the dangers of a smug and rampant intellectualism, positivism, criticism and technicism, one has all the more right and the greater duty to emphasise with all one's power the immeasurable worth of science properly comprehended, and which modestly confesses its own limitations, Science as it has been described in beautiful words by Royer-Collard (1763-1845), "Notre science consiste à puiser l'ignorance à sa source la plus élevée." A mighty theme which cannot be properly treated in this place and about which it would be difficult to find anything new and unusual to say. There is one important point, however, we would like to stress which was consistently neglected during a period of "scientism" when under-appreciation of the right Science ran parallel with over-appreciation of the wrong one.

Science has a further task which, as we shall see again in a later chapter, renders it a vital organ of society. In the Middle Ages there existed in the clergy a class of men who represented ultimate values, who stood over and above worldly interests and were devoted only to their mission, men who, undeterred and in the service of what they recognised as Truth, appealed to the Great Ones of the Earth through their consciences. So also today there ought to be a particular group specially selected from the representatives of Science, secularised "Clerks" as it were, independent men who would devote their lives to the task of dealing with world problems in their entirety, analysing them and comprehending their furthest ramifications and who, unwavering and *sine ira et studio* would serve Truth; these "Sacerdotes" about whom the Roman jurist Ulpian in a celebrated part of the *Corpus Juris* speaks; the "Clerks" of whom Benda in his otherwise debatable book "*La trahison des Clercs*" treats. Men whose often highly inconvenient but for the community invaluable rôle it has been to keep at a distance from people and things, from pleasures and interests, and who, if they are loyally fulfilling this task of detachment have both the right and the duty to call things by their proper name, to appeal to men's conscience and boldly to set forth the results of their estimable reflections without fear of giving offence whilst warding off the arrogant assumptions of the unlearned and the prejudiced, and still being sadly aware of the fact that Science is not everything and that its claims are strictly and properly limited. They must be men who unite rare gifts of intellect and character in a still more rare combination. For such men true Science lives in a bitter and unending self-examination and likewise knows how to maintain the balance between rationalistic Dogmatism and Nihilism both which spring from the same tree of Scientism. These are they about whom the beautiful words of Paul Claudel are very appropriate: "Car il n'y a de joie que de réunir plusieurs choses dans son esprit et beaucoup d'êtres ensembles dans son coeur."

Society is in supreme danger if the "Clerks" remain dumb, if they are not allowed to express themselves freely, or from fear or confusion commit the treachery of silence, or what is the worst of all, when they speak against their inward and better conviction. But even if it does not come to the worst as in a collectivist state, how important it is to create that class of genuine clerks and guarantee them the conditions for the fulfilment of their task; the men, the spirit, the atmosphere, the tradition and the right attitude of society towards them. How slowly their kind mature and how easy it is to destroy them like a thousand year old oak-tree. And how terrific is the danger that at last even Science itself will fall a victim to the process of the congestion of our civilisation.

## A VALUE JUDGMENT UPON VALUE JUDGMENTS

The "Clerks" must stick bravely to their Truth. But what is Truth? It is of deep symbolic significance that Pilate's question stands at the very commencement of the Christian Era and by biblical tradition was put into the mouth of the representative of a sceptical oversophistication of a dying world. It is always a sure symptom of decadence when Pyrrhonism holds sway and has no further respect for ultimate truths. It is not as though the possibility of scientific objectivity as such were in doubt nowadays. It is still undisputed when we have to do with "facts" in the narrow sense of positivist philosophy, especially in the field of the so-called exact sciences. What has today become problematical is the precise sphere of a demonstrable and therefore scientifically legitimate objectivity in that territory where it is a matter of deciding between good and bad, between the beautiful and the ugly, between healthy and unhealthy, between the normal and the degenerate and the emphatic representations of this decision with the authority of someone who *knows*.

The question which for more than a generation has been occupying us in all those sciences to which judgments of such sort are peculiar extends to whether the dignity and the authority of Science can be claimed for these matters which are not merely simple demonstrations of "facts" but pass on into positive recommendations or rejection, in short, for so-called value judgments in contradistinction to statements of fact. There can be no doubt, however, that he who unreservedly would deny scientific legitimacy to judgments of value narrows the sphere of Science in a scientifically non-tenable way, and is at the same time adopting a standpoint which can only be disastrous for society as a whole, since this would be to rob society of a genuine leadership in things of the mind, a leadership more necessary than ever at the present time. Now if Science were on its own to reject that authority which is its due, to whom could we turn for guidance then? If Science will no longer afford us any sign-posts in the chaos of differing opinions and ideas to values and ends because this would be beneath her dignity, where else may we expect to find them?

Now the question of the scientific legitimacy of a value judgment is but another example of the melancholy tendency of human beings to swing from one extreme to the other without knowing how to stop at a wise middle point. Like all other authority that of Science can be abused, and in fact it was not so long ago that the learned were in the habit of naïvely and arrogantly mixing up Science and topical political ideas and cheerfully making demands for which the authority of Science could not be claimed in the least. It was those times which impelled Max Weber to write his famous papers about "The

'objectivity' of socio-scientific and socio-political knowledge in social science and social policy," and upon the "Meaning of scientific objectivity in the social and economic Sciences"; and much of what he then expressed is still of value today. His attitude of mind becomes apparent from the following sentence: "It should be remembered that it is a prime duty of a competent thinker to preserve a cool head in the face of ruling ideals, even the most majestic of them, and to be able to swim against the stream. The German ideas of 1914 were a literary product. The Socialism of the future is a phrase for the Rationalisation of economic life through a combination of further bureaucratisation and management through unions and corporations in behalf of interested groups." Unfortunately the reaction went much further than Max Weber had contemplated until it reached the opposite extreme of describing as "unscientific" the expression of any particular opinion on values and aims.

Now among the representatives of this extreme view we should not of course run across intellectuals of the first rank if it were not in fact a very complicated question. It is undeniable that there is a peculiarity about value judgments which renders these different from other judgments. If we group all possible judgments together, the first group will be that rigorously logical and cogent one of the type that "A cannot at the same time be not A." In the next group come the empirical judgments, the truth of which can be established through experiment when all due allowance has been made for faulty observation. The third and last group comprises judgments of value. Now it is indisputable that these three groups possess a thoroughly different logical structure and that the logical character of the last group is the weakest. Moreover, it is obvious that it is this last group which passes into the sphere of unscientific statements. About all this there is general agreement. But the question remains, where is the line to be drawn? Whether between the second and third groups as the Relativists (Positivists) demand, or *within* the third group. The last is the proper answer which settles the difficulty. This demarcation effectively bans all political whimsicalities, arguments and ideologies from the sphere of Science, without shutting its mouth when it is a question of ultimate and highest values and without robbing Science of the possibility of taking up a critical attitude towards pseudo-scientific values. The very determination with which Max Weber turned against political arguments in the social sciences sprang from a fundamental belief in ultimate and highest values even if as the child of his epoch and an intellectual he felt it his duty not to admit this in his capacity as a scholar.

In effect it is not difficult to show that the demand of the Relativists

is logically impossible and that it moves in a circle. Relativism which holds the world of values to be out of the reach of Science shares with Marxism in being a negative conception "which contains itself" like the old catch of the Cretan, who declared that all Cretans were liars. It is an obvious objection against the philosophy of Marxism that, supposing all philosophy be but an "ideological superstructure" above the material relationships of society and therefore of only relative value, Marxist philosophy therefore cannot be excepted from this law. The same applies to axiological Relativism, which by rendering all values relative, destroys itself. Relativism is a scientific methodology which, whilst condemning value judgments in Science, is itself a value judgment, but would intolerantly forbid such to others. That men go in for Science at all, that the social sciences have been developed as a branch worthy of study, that we select specific problems as worthy of investigation from the endless multitude of possible problems, that we economists and sociologists devote our lives to our Science, that we view Truth as an indispensable scientific principle, all these imply value judgments. We do not talk about them because no normal being questions them (and we are not bothering about the small minority of moral idiots) just in the same way as Medicine sets out with the moral assumption that living is preferable to dying and health better than disease without worrying itself over neurotic suicides or hysterical people nursing their complaints. If this answer does not satisfy the Relativist then we must ask him whether he is seriously prepared to devote his life to the task of discovering the method for the quickest possible ruination of a country, for constructing the most horrible concentration camps possible or for developing murder "as a fine art."

The conclusion is unavoidable that Science is inseparably attached to value judgments, especially the moral sciences, to which the social sciences inclusive of jurisprudence belong, and every attempt to eliminate these would end only in absurdity. The real question can only be at what point within the group of value judgments the borderline is to be drawn, i.e., what type of value judgments is legitimately scientific and for what reasons. That is our task, a satisfactory solution of which is alas a long way off. We will attempt to give a preliminary idea of the direction in which a solution may be found.

It is obvious that there exist fundamentally different degrees of value judgment according to the subjectivity and arbitrariness which inhere in them. If we consider the banal case of neckties it becomes evident fortunately that our judgments are highly subjective and therefore extremely varied. In this case the degree of subjectivity is excep-

tilnally high, but this is an extreme case which as we must admit is one which cannot be made the subject of generalisation and there are other cases in which the degree of subjectivity of value judgment is much smaller. If we take all possible value judgments we observe that the degree of subjectivity can be very high and very small and we can sort them out in accordance with this degree of subjectivity (or objectivity as the case may be). In important cases where it is a question of value judgments of universal character affecting life and society as a whole, the degree of subjectivity is so small that value judgments of this character assume a virtually objective character, i.e., can reckon upon general agreement. These ultimate values (Truth, Justice, Peace, Social cohesion, etc.) are those which guide us in our judgments upon the desirability of this or that form of society and economic system or upon the pathological character of a specific social or economic development. The fact that we cannot as in medicine establish the health of a social system simply by taking its temperature or by examining its tongue does not affect the other broad fact that there *are* healthy and sick forms of society even if here the zone of doubt and indeterminateness is much larger than in medicine and we must take care not to formulate over-hasty judgments.

Doubt and indeterminateness—that is the important point—however are so much less, the greater the departure from the norm, which gives us a new application of the beautiful sentence : “In necessariis unitas, in dubiis libertas, in omnibus caritas.” It is for instance difficult to say whether a small increase of the amount of money in circulation is inflationary and yet more difficult to decide whether anything ought to be done about it. Arguments over index numbers, subtleties of the Theory of Money and about the possible advantages or disadvantages of a “small” inflation then possess wide scope. This scope however becomes smaller and smaller the more evident the circumstances, until we reach the extreme case of the record inflation in Germany after the first World War. Then even the most approximate index numbers and the most primitive formulations of the Quantity Theory of money do their work, and all talk of the influence of factors other than the printing press become meaningless. To deny this would imply a lack of a sense of proportion which in every form of Science is a fault but in economics a disaster. To this example can be added many others. For instance one can count upon general agreement when one maintains that a nation is sick if, let us suppose, ninety per cent. of the land belongs to a few feudal lords, or if twenty per cent. of the inhabitants are unemployed for lengthy periods and seventy per cent. are proletarianised hunters after jobs, if suicide and divorce have become mass phenomena and the family finds itself in the process

of dissolution, if a few proud nabobs are the background for a suffering and poverty-stricken population or if the financial system breaks down under inflation or deflation or a banking crisis. And it is no wild fancy to call it an objective truth that a healthy nation is characterised by a normal amount of integration just as the human body is by a normal temperature, and one which differs from this norm—if upwards over-integration, if downwards underintegration—is characterised as pathological.

In short, value judgments are to be graded according to their degree of subjectivity, i.e., classified according to their ultimate and vital significance. This classification determines the degree of their scientific legitimacy. This is no bold and novel discovery but precisely what we with sound instinct are constantly doing (including the Relativists as we saw) but more or less consciously and consistently.

This classification of value judgments in accordance with the degree of their subjectivity also implies the reason for the scientific legitimacy and objectivity to which value judgments of a higher order can lay claim. They are simply *anthropological* facts which Science has to respect as much as other facts and with which as objective phenomena it has the same unquestionable right to concern itself and indeed an even higher duty. They are to be respected in just the same way as we have to respect the meaning of individual words in our language if human intercourse is to be at all possible. They are anthropological constants which we have to accept as given facts since they represent the psycho-physical nature of Man who has been created in this and no other way, Man whom Herder in the motto appearing at the beginning of this section of this book describes as "Medium Creature" and of whom Pascal has said earlier (*Pensées*, I, 4, 1), "Cet état, qui tient le milieu entre les extrêmes, se trouve en toutes nos puissances. Nos sens n'aperçoivent rien d'extrême. Trop de bruit nous assourdit trop de lumière nous éblouit, trop de distance et trop de proximité empêchent la vue, trop de longueur et trop de brièveté obscurcissent un discours, trop de plaisir incommode, trop de connoissances déplaisent. Nous ne sentons ni l'extrême chaud ni l'extrême froid. Les qualités excessives nous sont ennemies et non pas sensibles. Nous ne les sentons plus, nous les souffrons. Trop de jeunesse et trop de vieillesse empêchent l'esprit, trop et trop peu de nourriture troublent ses actions, trop et trop peu d'instruction l'abêtissent . . . Nous brûlons de désir d'approfondir tout, et d'édifier une tour qui s'élève jusqu'à l'infini. Mais notre édifice craque, et la terre s'ouvre jusqu'aux abîmes."

Even the staunchest relativist knows fundamentally quite well that there are appropriate and inappropriate relationships to property, to

the other sex, towards our children, to work and leisure, to time and death, to youth and age, to the joys of Life, to the Holy and other worldly, to the Beautiful and the Sublime, to Truth and Justice, to intellect and sentiment, to the community, to war and peace. Likewise we are aware that all these relationships—the “*humanitatis commercia*” of Tacitus—find themselves in dangerous confusion in our decayed world of today. The individual who has lost his feeling for what is normal in all these and other vital relationships will find himself sooner or later in the consulting room of a nerve specialist or in a hospital, whilst a nation composed of far too many such individuals will end in war, revolution and dissolution. This is the frightful expiation for neglecting anthropological constants which the Relativist considers scientifically out of reach. The neurologist and the psychiatrist, the ethnologist or sociologist knows better, and we cannot afford to ignore what these people do happen to know.

The solution indicated here of the involved problems of value judgments and their scientific legitimacy is so manifest that it would be strange if it were original. It is in fact in line with a development of thought which in spite of periodical waves of Relativism can be followed throughout centuries and which meets us in such varied thinkers as Thomas Aquinas, Montesquieu or Tocqueville. If we are not mistaken, all those to whom Relativism and Positivism appear intolerable and disastrous are again turning towards their line of thought today. The newly awakened interest in Anthropology as a pre-occupation with Man as a psycho-physical entity lends this development the strongest support. The responsibility which a tired Relativism in Science bears for the inward instability of the contemporary world can no longer escape any thoughtful person and it found a wide echo far beyond the Catholic world when in the papal Christmas message of December 24th, 1942, among the errors of our time legal positivism was numbered, “which lends a false majesty to purely human laws and paves the way to a disastrous divorce between Law and Morality.”

Since we reject the scientific prohibition which Relativism would impose upon us, at the same time we open the door to the wide field of research where those specific and deeper roots of the contemporary social crisis are to be sought. It would certainly be misjudging the Relativists and the Positivists likewise were we to assume they were not just as aware as we are as regards the extent to which our social and economic systems have been undermined and as regards the most urgent necessity for discovering the causes of the catastrophe and for building new foundations upon this knowledge. Only the unfortunate thing for them is that these problems—so gigantic that these demand all the available energy and intelligence we possess—lie in a



territory the entrance to which the Relativists have rigorously forbidden themselves. Hence this so widespread prudery on the part of the intellectuals about looking these further and deeper problems in the face. Hence especially the disinclination of so many economists to make contact with sociology, ethics or politics, hence the tendency in Science to ignore the call for synthesis and co-operation and hence finally the inopportune persistence of so many in "fiddling while Rome is burning." But perhaps this English phrase is a little unfriendly when applied to people of the very greatest intellectual integrity who to their own regret are quite convinced that it is not permitted them to extinguish conflagrations. Perhaps it would be more charitable to shake their conviction.

---

#### NOTES

##### 1. (P. 63) *Eternal Saint-Simonism.*

Eternal Saint-Simonism which inherits from its founder the ideas of a planning hungering for power meets us again in the tragic figure of *Walter Rathenau*, the great German industrialist and engineer, himself a victim of a most tragic period, who, together with other engineer friends invented if not the thing itself at least the phrase "Planned Economy" (*Planwirtschaft*). He also became what a little later was called a "Technocrat." How strongly these ideas had influenced National Socialism we learn from a man like *H. Rauschning* who was intimately acquainted with current events, through his book, "Makers of Destruction," London, 1942, and in his descriptions of figures like *Keppler*, *Todt*, *Feder* and last but not least *Hitler* himself. One would have to quote the declamations of such men page by page to give an adequate idea of the final effects of Saint-Simonism.

##### 2. (P. 65) *Hegel's Example in the Work of Destruction.*

On this point one should read the admirable work of *F. Schnabel*, "Deutsche Geschichte im 19. Jahrhunderts," vol. iii, Freiburg i.Br., 1934, p. 1 ff. where he says "His sense of reality had made him one of the spiritual fathers of Realism, Pragmatism, of Objectivity—of merely onlooking as he liked to express it. And all the corrosive effects of this pragmatism are already contained in his work." (P. 9). Hegel has been expressly described by Schnabel as the "Father of modern Relativism" which Schnabel declares first came into the world in the form of judicial relativism. In accordance with this conception Hegel recognised "neither Natural nor International Law" (p. 14). Then Schnabel goes on to say: "He gave German men of learning the example of intoxicating themselves with Machiavelli and thoughts of Power in congenial and secure study speculating and reading history; the chivalry which had been characteristic of the Age of Enlightenment was gradually disappearing in the course of the nineteenth century, and sophistry was rendering moral truth indiscernable" (p. 16).

3. (P. 65) *Instrumental Knowledge and Cultural Knowledge.*

An amusing expression of opinion by *Ernst Mach*, whose rôle in the development of "Scientism" and "Positivism" might be investigated more closely, indicates how the true relationship can be misrepresented. Mind you, he is not referring to mathematical formulae but to the classics, when he declares, "Far too many people make the mistake of misusing their brains by loading them with material which is far better preserved in books and which can be consulted at any time." ("Popularwissenschaftliche Vorlesungen," second edition, Leipzig, 1897, p. 311).

4. (P. 67) "*L'Avenir de la science.*"

I have discussed at length in my essay, "Selbstbesinnung der Wissenschaft," *Neue Schweizer Rundschau*, May, 1942, the symposium mentioned in the text. Therein is also to be found an appreciation of the valuable contribution by *Raymond Charmet* on "Le mythe moderne de la science."

5. (P. 70) *The Special Position of Medicine.*

The rôle of the physiologists, biologists, and doctors in the circle of *Destutt de Tracy* and the Paris *École de Médecine* has already been described above (Chapter I, Note 12). These men have their successor in the great French physiologist, *Claude Bernard* (1813-1878) who shewed himself to be a man of precision and moderation as well as a philosopher in the midst of the scientific excitement of the times, and fully conscious of the dangers and the limitations of positive Science. See, besides his classical work, "Introduction à l'étude de la médecine expérimentelle," his case book "Le cahier rouge," Paris 1942. This is also the place to quote the view of an English scholar: "One of the most terrible examples of unscientific-mindedness is frequently an eminent natural, i.e., physical or biological scientist speaking on societal matters." (R. Bain, "Social Philosophy," April, 1939).

6. (P. 72) *The Function of Science.*

The rectorial address given by *William E. Rappard*, "L'Université et les temps actuels," Geneva, 1936, is one of the best sketches which have recently appeared on the subject. See also the standard work by *Alphonse de Candolle*, "Histoire des Sciences et des savants," Geneva, 1873.

7. (P. 75) *The Subjectivity of Value Judgments.*

The example of the tie appears more of a joke than it really is. Actually even aesthetic values are not merely subjective pictures of the imagination which we could dismiss with the proverb, "de gustibus non est disputandum." Beauty is doubtless an objective quality if none the less invariably correlated to the percipient subject. The same is true of religious values which are described by *Rudolf Otto* "Das Heilige," Munich, 1917, as the "Numinous." Compare also a book shortly appearing by my friend *Alexander Rüstow*; also *A. N. Whitehead*, "Science and the Modern World," New York, 1926, pp. 285-293.

It is the same with aesthetic as with other judgments. In the course of time their order of "merit" strives ever more for objectivity which results through a sort of secular mass plebiscite in a *consensus saeculorum*. One may with justification dispise the simple sum total of opinion; but through a process which can never be fathomed there gradually comes about—for example—as regards works of Art and books an *intrinsic* opinion which acquires the dignity of an objective authority. In the course of centuries there eventuates an objectively "correct" order of values so that we know more or less accurately where Shakespeare belongs in comparison with contemporary dramatists, something which was not at all clear to his own epoch. And it often happens that a book establishes itself in spite of all critics owing to inherent powers which represent a higher authority than that of the critics. Take for instance Goethe, Schiller, and Beethoven in the judgment of their contemporaries. This also throws an illuminating beam on such highly controversial

matters as "Authority" and "Tradition" which are able to claim an objective value to the extent that they are able to enjoy the support of a *consensus saeculorum*.

On the same subject writes the eminent philosopher *George Simmel* "Hauptprobleme der Philosophie," fourth edition, Leipzig, 1917, p. 26: "Thus our innate sentiment distinguishes—often with great instructive success—such convictions and moods which we admit to be purely personal and subjective, and others which, though equally unable to base on objective proofs, we nevertheless suppose to be shared by some or even all others—as if we were merely the mouthpiece of something universal, as if this or that idea or sentiment sprang from deep and general reasons justifying them in a self-evident way."

8. (P. 76) *Value Judgments in Economics.*

Economists are aware of the further important example of the so-called inter-personal comparisons of utilities. After at first heedlessly making use of the conception of "Marginal Utility" in order to demonstrate "scientifically" the advantage of a more equal division of income or of progressive taxes it was soon found to be illusory without taking value judgments into account. From which it was assumed that interpersonal comparisons of utilities were scientifically inadmissible. But this conclusion is altogether too precipitate since the value judgments which are at the bottom of such inter-personal comparisons of utilities in gross cases assume a fundamentally objective character. One in no way goes beyond the sphere of science in describing the principle of the progression of taxes as objectively correct based as it is on the principle of marginal utility, but only if one lays claim to the authority of Science for the *concrete* application of the incidence. Cf. *Luigi Einaudi*, "Ipotesi astratte ad ipotesi storiche e dei giudizi di valore nelle scienze economiche," Reale Accademia delle Scienze, Turin, 1943.

9. (P. 77) *The Anthropological "Normal."*

On the subject of the consequences which arise for society from a general abandonment of the anthropologically "normal" *J. Huizinga* in "Im Schatten von morgen," Berne, 1935, p. 9 writes: "We are living in an obsessed world and we know it. It would be a surprise to nobody if dottiness were one day suddenly to break out in a frenzy leaving this poor European humanity to sink back worn out and perplexed while motors were still humming and flags waving but the soul will have vanished." The literature on moral and philosophical anthropology has recently become so great that we must content ourselves with a few references. *C. von Monakow-Mourgue*, "Biologische Einführung in das Studium der Neurologie und Psychopathologie," Stuttgart, 1930; *W. Riese A. Requet*, "L'idée de l'homme dans la neurologie contemporaine," Paris, 1938; *G. Villey*, "La psychiatrie et les sciences de l'homme," Paris, 1939; *Leopold von Wiese*, "Homo sum, Gedanken zu einer zusammenfassenden Anthropologie," Jena, 1940; *C. E. Playne*, "The Neuroses of the Nations," London, 1925; *Max Scheler*, "Die Stellung des Menschen im Kosmos," Darmstadt, 1930; *Werner Sombart*, "Vom Menschen, Versuch einer geistwissenschaftlichen Anthropologie," Berlin, 1938; *Alexis Carrel*, "Man the Unknown." And as an example from Ethnology; *Wilhelm Schmidt*, "Das Eigentum in den Urkulturen," Münster, 1937. It is quite natural that humanity should have to pay for neglect of what is anthropologically appropriate in nervous and spiritual disorders and no less in things as objectively measurable as the widespread tendency to high blood-pressure and caries.

The researches of the Basle zoologist, *Adolf Portmann*, provide an extraordinarily interesting contribution to the theme of the social norm which can be objectively demonstrated by Anthropology. He has proved convincingly that in the case of human beings the length of the foetal period as also the degree of development of the newly born child stand in contrast to the expected condition of a correspondingly highly organised mammal. From which results that a human being spends a full year of his "mammalian-type womb period in contact with the forms and colours of the world and with his social companions. A long period in which the still

delicately adaptable body is exposed to the rich possibilities of spiritual influences instead of growing in the constraint and security of instinctive limitations within the mother's womb." (*Adolf Portmann*, "Die Biologie und das neue Menschenbild," Berne, 1942, p. 25 and "Die biologische Bedeutung des ersten Lebensjahres des Menschen," *Schweizerische Medizinische Wochenschrift*, 71. Jahrgang, 1941, No. 32). From the zoological fact that human beings are as it were born a year too soon it follows that our judgments on the value of specific social arrangements which correspond with this zoologically abnormal extra-uterine period of development and in particular those on the value of the family and all the arrangements which further this institution, possess an objective biological foundation. For instance, when Pestalozzi extols the environment of the home this is a scientifically highly legitimate judgment. That we have been made aware of these connected phenomena by a zoologist, that is to say by a representative of the natural sciences, in which indeed the Positivists of the moral sciences see their envied ideals, is a particularly fine example of a change of heart on the part of the natural sciences and one which gives a wholly new character to their relationship to the moral sciences. Our Positivists thus lag behind development even in the natural sciences.

Furthermore the opinion here expressed is fully borne out by the warning emitted by *E. R. Curtius* ("Deutscher Geist in Gefahr," Stuttgart, 1932, p. 93), "The widespread relativism of today might be rectified by a theory of constants of all ontological spheres. It might then happen that today's much discussed Absolutes of every kind would have to be at least partially interpreted and recognised as constants."

Besides the anthropological interpretation and vindication of value judgments there exists also the possibility of another which can be described as the *morphological* which conceives society as a sum total of interdependent relationships and ties of individuals which all form together a coherent whole of a definite structure. So all is "good" which conforms morphologically and "bad" which does not. See in this connection *K. von Neergaard*, "Die Aufgabe des 20. Jahrhunderts," third edition, Erlenbach-Zurich, 1943, p. 106 ff. and *W. Röpke*, "A Value Judgment on Value Judgments," *Revue de la Faculté des Sciences Economiques d'Istanbul*, 1942, No. 1-2, p. 16.

Still more light will be thrown on the problem of this chapter by *Hans Barth*, "Fluten und Dämme, der philosophische Gedanke in der Politik," Zürich, 1943; *Bernhard Barink*, "Ergebnisse und Probleme der Naturwissenschaften," eighth edition, Berne, 1945, p. 718 ff.

## PART II

### THE GOVERNMENT

*“ La science de la liberté est, entre toutes, infiniment compliquée ; car la liberté n’est et ne peut être autre chose qu’un équilibre très difficile à atteindre et à maintenir, et toujours menacée, entre les différentes formes de despotisme ; le despotisme, sous une forme ou sous une autre, étant l’état naturel de la société.”*

E. Faguet, “ Politiques et moralistes du XIX<sup>ième</sup> siècle,” Vol. I, p. 306.



### CHAPTER III

#### THE HEALTHY AND THE SICK GOVERNMENT

##### CRITERIA

PROFITING by the results of the preceding chapter we will now turn to the question in what sense the conceptions of healthy and unhealthy, of what is suitable and what is unsuitable can be applied to the government of a nation. We then recognise that it is not appropriate to consider every government which we come across in history with the somewhat artificial detachment (more assumed than genuine) of the Relativist, without bothering about whether the government corresponds to certain general moral values or not. Rather we are perfectly well aware that there are both healthy and sick governments; those which solve the difficult problem of combining freedom with order thereby rendering possible the free development of man in the community, which release the force of civilisation and make the national organisation strong and durable, and those other governments which fail in this task, cripple human nature and which bear in them the seeds of corruption and anarchy.

That no government is sound which passes from one crisis into another only finally to crumble to bits, is a value judgment the objectivity of which has been recognised by people at all times and in all places. That no government can stand the test of our judgment which reduces its inhabitants to serfs and demands for its power the price of their freedom is the unshakable conviction at least of every person who considers himself to belong to the occidental orbit of civilisation. This conviction is so deeply rooted that, if not in Asia (inclusive of Russia) at least in the orbit of civilisation, any nation no matter how powerful externally sooner or later is bound to come to grief if it should deny us our freedom and thereby turn us into rebels. This second value judgment which guides us as we view the governmental structures does not attain to quite the same degree of universality as the first, but we rightly regard it as a disquieting inroad of Asiatic sentiment if a member of our own orbit of civilisation fails to recognise this and cares to flirt with despotism of whatever cloth. Here, if anywhere, Kipling's sentence is appropriate, "Oh, East is East, and West is West, and never the twain shall meet." Care must be taken however, when we examine more closely in what follows the criteria of health in a nation, to remember that we are working with two types of value judgment differing in their degree of universality.

That becomes immediately apparent if, following a development of thought running from the discussions of the sixteenth and seventeenth

centuries, from Buchanan and Milton and then from Talleyrand through Benjamin Constant to Guglielmo Ferrero, we proceed to draw the line between the healthy and the sick government in such a way as though it were a question of a *legitimate* or *illegitimate* government and thus we hit upon a distinction the subtle nature and great importance of which has been treated admirably by the late Guglielmo Ferrero, especially in his last work which is a true legacy to us, "Pouvoir. Les génies invisibles de la cité," New York, 1942, which should be consulted by the reader at this point. The question which accompanied this great Italian historian throughout his life, which taught him to understand the fall of the Roman Empire and indeed the immense national crises of our own epoch, and which endowed him with an ever richer insight into the physiology of human society, is also our own. How is governance possible at all? How comes this miracle about, that a few command and the rest obey, without its coming to a permanent conflict between the givers and receivers of orders? What are the conditions which bring into life and endow with reality and permanence that highest work of art of human civilisation, the free nation, which combines obedience, discipline, order and compulsion with the *free* and willing consent of the governed and removes mutual fear between rulers and ruled? And what are the circumstances which destroy it?

The answer runs: The miracle of a nation of this kind is brought about only through legitimate government, i.e., one which disposes of an inner moral title of right, one indeed not manufactured by Crown lawyers, or requiring further legitimisation by spectacular successes, one therefore which is recognised by the population without question, which possesses the right to command and one with which the citizen quietly identifies himself in contradistinction to the illegitimately usurped government which, in its lack of inner moral strength must maintain itself all the more energetically through external force. An illegitimate government of this sort, since it is abruptly and forcibly breaking the continuity of legal tradition and feverishly on the lookout for fresh grounds of legitimacy, is at the same time a *revolutionary* one. The employment of external force to maintain itself in power and the insecurity which hangs over it create an insurpassable barrier of mutual fear between government and subject which is in no way altered by the perpetual monologue of propaganda which a government of this sort maintains. This state of tension has the obvious tendency of being perpetually increased in a vicious circle whilst the government is undertaking the desperate attempt to demonstrate its doubtful right to existence by means of a neurotic activity and ever new and always more spectacular successes, ending finally in the resort to military



adventures. Thus ended the epoch of the French revolution and Napoleon and thus all forms of illegitimate revolutionary government end up. When in fact we compare the experiences of the present with that age which fundamentally uprooted Europe from 1789 to 1814, we fully apprehend that the characteristic methods of revolutionary governments are a social catastrophe, which in our day, beginning with the Russian revolution of 1917, has descended upon Europe once again, and which in its varied national guises is threatening to embroil the entire world.

We can now understand why every radical breach of continuity in the life of the government not only shatters the foundations of legitimacy and renders the resuscitation of a new legitimate authority a lengthy process always interrupted by crises, but also how easily it can force a country into the throes of a civil war. If the internal bond between government and people is destroyed a sociological law comes into effect (we will go further into this later), a law by which every community is determined according to a common higher point of reference; for example, the community of children through their mutual relationship to their parents above them. Thus the horizontal relationship presupposes a vertical one. If their common relationship to a legitimate government in power becomes loosened, simultaneously the relationships between the subjects will be affected in a similar way, and this disintegration only too often gives free play to every kind of dissension and party hatred and finally to the horrors of civil war. So long as no new legitimate government has arisen, together with that "grande peur" between the illegitimate government and people goes that same "grande peur" between individually opposed groups among the people, as happened during the French revolution and as we recently experienced after the fall of the Spanish monarchy. There must be few Spaniards today who would not admit openly and freely that everything they had had to put up with under Alfonso XIII was but a featherweight in comparison with the destruction and anarchy which had been exchanged for his régime. It is well to remember this at the present moment of European anarchy.

It could be foreseen that once the united front against the common external foe had evaporated, the destruction of the foundations of legitimate government in many European countries would lead to the dissolution of the people into bitterly hostile and struggling parties, of which events in France, Italy, Greece and Jugo-Slavia have already given us a foretaste. Very possibly the shadow of civil war is drawing uncannily and threateningly over Europe with horrors in store which we dare not even depict. In that event every country which had preserved its legitimate government in the face of all the social

struggles of our time would be envied, and there would be every reason to cling desperately to whatever form of legitimate government and authority that remained, even if it were monarchies which were not above criticism. Probably one would then recognise how deceptive once again in history the theoretically so seductive but practically so extraordinarily problematical formula—"the people ought to decide their own government"—can be, a formula which only pushes open the door to a period in which everyman's hand will be against every other.

It is thus the legitimate in contrast to the illegitimate government which creates the miracle of a healthy nation. It is the "génies invisibles de la cité", who weave round governors and governed alike the bands of mutual trust and who free them from the "grande peur" which fills their hearts under an illegitimate rule. Whenever during the last 150 years—we are in agreement with Ferrero in this—things have come to a revolutionary dictatorship, to the "grande peur" with all the horrors of anarchy, war and tyranny, it has been as a result of the decay of that historical form of legitimate rule (with the exception of Switzerland and a few other countries) namely the *monarchical* and *aristocratic*. The contemporary revolutionary government is so to speak the poison which has been exuded from the corpses of the deceased European monarchies, first of all that of France, then 1917 in Russia and since 1918 from the mass decease of monarchies in the remainder of Europe. The other type of legitimate rule is not that of birth but the democratic republic determined by the vote of the people and representing the people. And it is this form of government to which as a rule the future would seem to belong. But this form presupposes indeed a maturity and degree of integration which render it the most difficult of all forms of legitimate government. It is just these difficulties which are causing the world to writhe today in the spasm of an immense crisis, and which a movement such as socialism is tending to increase to an enormous extent. "Les rois et les nobles ont presque complètement disparu, mais le monde entier est tombé dans un tel désordre, que personne ne pourrait prévoir si le long effort réussira, malgré les sacrifices énormes qu'il a coûtés. Le socialisme n'est pas encore content; il veut créer une société qui ne sera pas seulement sans rois et sans nobles, mais sans riches et sans classes. C'est doubler la difficulté, au moment où personne ne sait si la première difficulté est vaincue; c'est tenter la Révolution française à la deuxième puissance."—(Ferrero, "Pouvoir," p. 323-4).

Where the "génies invisibles de la cité" fly away the "démons visibles de la cité" as one might describe them, come to roost, i.e., those all too visible arrangements which an unstable government

creates for its security when it is anxious about its very existence. We observe the external apparatus of power with which a government of this type surrounds itself as though with a wall between its own fear and that of its subjects: the centralised and militarised state police, the protective laws of the state with their draconian punishments, the controls, the prisons and the concentration camps, the spies and informers, the brushing aside of civil liberty. Indeed a study of police methods would throw considerable light on the difference between healthy and diseased, legitimate and illegitimate governments; and there is great scope for thought in the fact that the police in England are practically unarmed.

Now unfortunately the conception of legitimacy of government, and this is its inadequacy, can comprise the most varied forms of state and even those which do not come up to our modern European notions and standards, such for instance as the absolute monarchy, and in Asia if possible even more despotic forms of government, as for instance that which lasted at Constantinople for more than a thousand years after Constantine and in Russia for nearly as long. Neither is it an historical accident that the legitimate form of government, namely, traditional monarchies, succumbed to dissolution, nor is it incomprehensible that the attempt of the Vienna Congress to restore legitimacy on this basis should have come to grief after a few decades. On the other hand, those monarchies preserved their character intact where, as in England, they did not finally succumb to the temptation of absolute centralism. From which we may conclude that on the continent of Europe the prevailing form of hereditary monarchy was indeed legitimate but—in contrast to the East—was not permanently tenable and that the fatality of revolution which the break-up unleashed already slumbered within its breast.

Thus the principle of legitimacy cannot suffice as a criterion for the health of a government if we would do justice to our European notions and standards. Another principle is required in combination, a principle which emerges from the difference between the authoritarian and communal, i.e., democratic systems. Certainly the contemporary political crisis of the West is the crisis of the legitimate state but this crisis results from the deeper lying cause that in a complicated process occupying more than a thousand years, the greater part of Europe—with the exceptions of Switzerland, the Netherlands, England and the Scandinavian countries—had fallen victim to the autocratic state, and this in spite of all revolts on the part of the peasants and burghers and in spite of the many and promising islands of the democratic principle which in the late middle ages had formed themselves in the towns. One might have travelled across all Europe and

one would always have found that the actual scene of the crisis was the absolutist and feudalistic area of the past resting on the autocratic principle, inclusive of France, which latter country was all the less able to shake off this legacy of the past, since the French revolution did but strengthen the autocratic, centralised and bureaucratic organisation. It is the terrible reckoning of a thousand years of autocracy, exploitation, of the fundamental separation of the rulers from the ruled, of centralised bureaucracy, national estrangement or even of worship of the state (both are equally fatal) which meets us today with other no less depressing reckonings presented in the form of a crisis of the nations which finds its counterpart only in those of late antiquity.

In characterising the autocratic state as centralised we have let it be understood that the healthy government must not only be legitimate and not only communal (in contrast to authoritarian governments), but at the same time *decentralised*. This is a requirement of invaluable significance and at the same time one without which there can be no legitimate or democratic nation. For only in circumstances where the oppressive weight of a distant centralised government assuming all responsibility and yet taking all freedom away from the individual is not burdening the people, only where the community is organised in a natural hierarchy in such a manner that each individual has a share in the government through his share in the tasks of self-government, only then is true co-operation possible, only then can the individual genuinely identify himself with his government as his own and legitimate, only thus can order and liberty thrive together.

Understood in this way the principle of political decentralisation is a very general and comprehensive one which, going beyond the federative principle can best be described by an expression of Catholic social doctrine as the *Principle of Subsidiarity*. This means that from the individual upward to the central government the original right lies with the lower rank and each higher rank only subsidiarily takes the place of the rank immediately below it if a task is beyond the capacity of the latter. In this manner there comes into being a hierarchy of individuals through the family and the parish to the district or country and finally to the central government, a hierarchy which at the same time limits the government itself and opposes to it the personal right of the lower ranks with their invulnerable spheres of liberty. In this broad sense of subsidiarity the principle of political decentralisation already contains the germ of Liberalism in its wide and general sense, an idea which is at the root of the conception of a sound government, one which sets the necessary limits to itself and which obtains its own

background. The more we sacrifice it to the bias towards centralisation so much the more sharply will disharmonies come to the fore and unsettle the nation. The totalitarian state is but a last deceptive—and in the end hopeless—attempt to render possible the impossible and to combine the utmost centralisation with the suppression of the then inevitable disharmonies. In view of all this the problem remains of course how and to what extent today in view of the strong economic integration everywhere, a regional structure is still possible. As we have seen earlier, there is a solution but only one: the Market Economy in contrast to the Collectivist Economy.

We can now sum up and say that the healthy government combines three elements. The element of legitimacy, of association and that of decentralisation. These three elements support and mutually supplement each other. Sound government, which together these bring about, is at the same time the sole type of government which can succeed in the arduous task of combining a certain spontaneity of existence and an atmosphere of personal dignity and freedom with health, power and stability in its respect for those spheres which are not its concern.

The case for decentralisation is overwhelming. But those who are still under the spell of the ideal of political unity find it difficult to accept this case because they see in it an attack on the power of the state itself. The principle of decentralisation, however, does not deny the necessity for a control. We have to reply, moreover, to the centralists, that a certain differentiation and separation are inevitable in every case, and that we have only the choice between a harmonious and a disharmonious differentiation, the harmony which proceeds from natural regional structure, and the disharmony which follows the disruptive lines of the division between classes, interests, nationalities or language. The more readily we admit the necessity for regional devolution the sooner will the disharmony retreat into the efficiency of the outward apparatus of public life. If we compare the most varied countries with one another we gain the impression that in general people possessed only the choice between a combination of orderliness and authoritarian discipline (formerly Germany) or freedom and slovenliness (France or former Austria). It would seem as though they had had to decide whether they would rather live under the rule of a bullying authority or else in a country where neither railways nor telephones functioned punctually or properly. If indeed we possessed only this choice then the most natural order of values would impel us to decline punctuality for our trains as too high a price to pay for our loss of freedom and to put up with a certain loss of effectiveness, a kind of porosity in life, if the balance between people and apparatus

could not otherwise be maintained. In this we must not allow ourselves to be led astray in a moment of anger if we ourselves become a victim to slovenliness when the unpunctuality of expresses becomes a playful habit, when our luggage is despatched to the wrong destination or when we are obliged to give up the struggle with the young lady at the telephone exchange who is wishing to extend her luncheon interval. But that is of course only a philosophical resignation and we must not forget that it would be ideal if we were not faced with such a delicate choice and if the apparently incompatible rightness of atmosphere and discipline were reconcilable. That in fact this ideal can be achieved in a measure is taught us by those countries whose structure fulfils the prerequisite of health, namely, a legitimate, democratic decentralisation, countries such as Switzerland, the Netherlands, Great Britain, the U.S.A., the British Dominions and the Nordic countries. Only in those countries is the above-mentioned precondition fulfilled, namely, that the individual feels himself sharing the responsibility for the efficiency of public arrangements and that he is pulling at the same rope as the government. Elsewhere the sentence applies, "The czar is far away and the sky is high."

#### DANGERS AND SYMPTOMS OF DECOMPOSITION

Now the task of achieving and keeping in being a well-balanced government which is legitimate, associative and decentralised is of course immense. Even under the most favourable circumstances deep insight, a sure instinct, a sharpened sense of responsibility and unlimited patience demanding no rapid results are all required. But the task is rendered so extraordinarily difficult through a mass of dangers and symptoms of decay now threatening the modern state and which are assailing in a disconcerting manner also the few already existing examples of a well-balanced government.

These dangers and symptoms are to be understood as part of the present social and cultural crisis and cannot be dealt with further at this point. Attention can be given only to some which are particularly evident and immediate.

The first and perhaps the worst danger of all is the overburdening of the nation—something which in itself is already a characteristic feature of the modern interventionist "welfare" state, and which has been multiplied many times over within a single generation through the immense efforts and expense of two world wars. In a collectivist state it reaches a degree which utterly destroys all hope of a legitimate (associative), democratic and decentralised type of government. Even the soundest government can be burdened only with a certain

optimum of activity. If this is over-reached then the balance between the collective organisation and individual is destroyed. Bureaucracy, mechanisation, centralisation and autocracy become unavoidable and with these things comes increasing hostility between government and governed. This endangers the moral foundations of legitimate government and finally annihilates it. Like the government and society of antiquity, modern government and modern society are on the point of succumbing to *Étatisme* and collectivism and, as formerly, of bringing down their whole civilisation and culture with them.

We would repeat: even the soundest government, the toughest morale and the most robust society bear only a certain maximum of state activity, state finance and state intervention. Over and above this maximum you get estrangement between government and the people; disrespect for law and corruption become ever more general and finally poison all the arteries of society. The last war afforded an exceptional opportunity to study this matter because on the one hand it compelled the overstepping of the maximum, but on the other it also permitted the anticipation of a corresponding maximum of communal sentiment and loyalty. When nevertheless the "Black Market," evasion of taxes, and breaches of law of every kind make their appearance ubiquitously, and when a large proportion of the population if not actually sympathetic are at least apathetic we have ample proof of our contention. The socialists who are indignant about it would do well to look for the deeper causes and ask themselves whether these do not contain an annihilating judgment upon socialism itself, the advocates of which would like not only still further to increase the oppressive emergency restrictions of war but would make them a permanency. That it would be pharisaical and like Jacobin guardians of virtue to seek for the guilty from among only the rich scarcely needs to be pointed out. It is only a matter of grasping the real nature of men without moral indignation and then drawing wise conclusions therefrom.

Now this overburdening of the government is very much increased through a development which is intrinsically calculated to undermine the state; the *increasing exploitation of the government for the satisfaction of the desires of parties or groups* which in the end leads to the management of the whole nation by these organised and powerful groups. By this means the government becomes the spoil shared by mutual agreement between these powerful groups which elbow out the weaker parties they do not need to bother about. What then happens is this: Firstly, the inherent tendencies which are already overloading government are enormously strengthened, secondly, government itself decays through the struggles of pressure groups and is robbed of

the dignity appropriate to an institution which serves the community, one with which the subjects of whatever groups or parties can fully identify themselves.

This disastrous development is considerably furthered by a lazy habit of loose thinking. When demanding assistance from the state people forget that it is a demand upon the other citizens merely passed on through the government but believe they are making a demand upon a sort of Fourth Dimension which is supposed to be able to supply the wants of all and sundry to their hearts' content without any individual person having to bear the burden. This "Fourth Dimensional form of economics" as I once called it lies in fact at the bottom of most protectionist and interventionist views, and in the end demonstrates the truth of the sentence, "*L'État, c'est la grande fiction à travers laquelle tout le monde s'efforce de vivre aux dépens de tout le monde*" (Bastiat). Thus it has come to such a pass that whenever wishes and cravings are sufficiently loudly expressed the first thought is "let the nation pay" without most people ever entertaining the thought that we are *really* asking all our neighbours, and often very rudely, to pay and to give us a bit more. It would be a tremendous gain if we could at last accustom ourselves to say, "I demand that other people should pay for me," instead of saying, "I demand that the nation should pay for me."

This decay of government through the organised power of groups ("pressure groups" in the picturesque American terminology) is one of the most important examples of those fissures which today are endangering the moral unity of the nation and therewith the basic foundations of a healthy, in other words a legitimate, democratic (associative) and decentralised state. It is threatened to the core if, in the exercise of its important functions it can count no longer upon the undivided loyalty of its citizens, but must reckon with class strife, racial hatred, religious conflict, ideological fanaticism; and if (as in some cases), the opposition between language and nationality should drive a portion of the population to secession as at the time of the wars of religion. One of the worst sources of the disease today is unquestionably socialism in the true sense of the term, above all of the Marxist type, which under the slogan "Proletarians of all countries unite" has been preaching civil war for a whole century. Even if indeed the ever glimmering spark beneath the ashes should not flare up into a bright flame of open warfare between the classes, socialism is undermining the modern state because it is a social doctrine which renders the principle of democratic legitimacy ineffectual, and therewith the sole possible principle of sound government. It is in fact impossible to be with equal sincerity a Marxist and a Democrat; the more



one is the one the less can one be the other. Thus the deeper the influence which this fatal dogma, one based upon the most fundamental errors of the nineteenth century has gained on the masses within a nation, so much the worse must be the prognosis for that nation's health.

Considered thus socialism is exposed as the specific and possibly mortal disease of our epoch. Now it would be unjust to burden those socialist intellectuals who have invented and spread this doctrine with all of the guilt if we at the same time were not prepared to exert the whole of our power to the task of withdrawing from socialism its most fertile soil and filling up the trench between proletarian and bourgeois society by deproletarianising the former and making citizens of them in the truest and noblest sense, that is to say by making them real members of the "civitas." The fact that Marxist socialists become annoyed at such a prospect or find it ridiculous does but confirm its rightness. It is the sole effort which can really endanger their dogma.

When we consider these several dangers and symptoms of decay we get the impression that these all spring from a common root, *the vanishing sense of responsibility*, or perhaps the growing influence of those who are lacking in this feeling. For instance, the further one extends the franchise to adolescents from whom naturally one can expect neither maturity nor sense of responsibility, the more has this undesirable influence grown until today we are faced with the tragic admission of a contemporary English observer, Michael Roberts, that fear of responsibility has become the specific curse of democratic life. It is unanimously agreed that there is everywhere a lack of a spirit of seriousness on the part of individuals in their duties towards all bodies—ranging from the family to the government—and in the manner in which they demand their all the more loudly acclaimed rights, and in the notoriously small number of people who take the trouble to go and vote in many democratic countries, something which is no less of an evil than the regrettable diminution of interest in all the deeper questions of public life exhibited by these people. This state of affairs gives all the freer play to the *demagogues*, whose irresponsible business it is to appeal to irresponsibility.

There is no mistaking this state of affairs. If we would pursue it to its origins there is no doubt these are to be sought in the moral and cultural crisis of our civilisation. Perhaps one might here also refer amongst other things to the striking lack of a sentiment for continuity which so shockingly shortens the periods in which people are accustomed to work and think and which robs them of the sense of the historical roots of their existence. But then people, as Burke said,

who never look back to their ancestors will have but small consideration for their descendants. But so as not to be too pessimistic about people we must also remember the circumstances under which we have to live today, and hope that if these can be altered successfully people will once again acquire a sense of responsibility towards the community and for posterity, which after all is only natural. And it must also be remembered that a genuine sense of responsibility is accustomed to thrive only in the small circles where personal contact is possible and in which the individual is rooted. A reform of society in the direction of giving people roots and of decentralisation would lead one to hope for a substantial improvement, whereas today's tendency towards centralisation must weaken the sense of responsibility, until the fully collectivised state would administer the coup-de-grâce.

Nevertheless it is not simply a matter of raising the sense of responsibility of everybody but also one of strengthening the influence of those who already possess it at the cost of those who do not if the democratic state is not to succumb finally. This question touches upon the perilous matter—one which cannot be indefinitely postponed—of constitutional reforms in several countries, reforms which it cannot honestly be denied mitigate against a wide franchise but which would render possible an effective government of responsible people. The greatest emphasis must here again be placed upon political decentralisation, for the smaller the circles in which decisions have to be taken the greater the probability that responsibility will gain the victory over irresponsibility and the right people come to the top. If one were to make it a principle and in accordance with geographical structure to create a second Chamber after the models of Switzerland and the United States (a Council of States as in Switzerland or a Senate) as a counterweight to a popularly elected Lower House of Representatives a great deal would already have been accomplished. Other measures ought also to be considered ; a wise determination of the age of voters and if possible indeed a differentiation of the right of voting so as to give more votes to fathers of families and people well tested in their avocations. We would draw our readers' attention to the very democratic constitution of the State of Delaware, article VI of which declares that every free man possesses the vote who has sufficiently demonstrated his constant participation in the common weal and his devotion to it.

---

## NOTES

1. (P. 83) *The Government Crisis of Antiquity.*

In his book, "La ruine de la civilisation antique" (Paris, 1921), *Guglielmo Ferrero* had already convincingly and with urgent warning for the present day pointed out that the decay of the Roman Empire which set in after the murder of Alexander Severus (235) is to be explained in the first instance by a government crisis which began with the abolition of that last anchor of governmental legitimacy, the Senate. The desperate attempt to put a check to anarchy by the erection of an Oriental Caesaro-Papism began with Diocletian but this policy completely froze the civilisation of antiquity and was successful only in the East which was accustomed to despotism, whereas in the West it was eventually and characteristically wrecked by the rebellious nature of Europe. (The most recent and illuminating contribution to this theme of the political crisis of antiquity, *Alexander Rüstow*, "Die Römische Revolution und Kaiser Augustus," *Revue de la Faculté des Sciences Economiques de l'Université d'Istanbul*, April-June, 1944).

That strict formal legal thinking should naturally find the conception of legitimacy unsatisfactory is no objection to its immense importance. A conception like justice is one which is particularly hard to fix in common law even if it be one which humanity has never yet been able to dispense with. The peculiar logical structure of such metajuristical conceptions must of course be still more closely defined.

2. (P. 89) *Unarmed Police in England.*

In this connection the following observation by a prominent English intellectual is particularly to the point: "In England we tend to make the state itself a sort of club, and to extend the methods of the club into the management of the state. In Germany, it may be said, there is a tendency to make even a club into a sort of state, and to extend the methods of the state into the management of clubs." (*E. Barker*, "Reflections on Government," London, 1942, p. 290).

3. (P. 89) *The Autocrat State becoming finally untenable.*

It is difficult here to withstand the temptation of mentioning a small but highly significant detail from among the vast mass of material. It shows the peculiar order of values as conceived by the old Prussian military monarchy. William I was in the habit of attending the unveiling of statues of distinguished civilians like Goethe, Schiller or Schinkel only from the window of the opposite house. For monuments to soldiers the King would condescend to appear in the street. (*Ludwig Bamberger's Diaries*, "Bismarcks grosses Spiel," Frankfurt a.M., 1932, p. 333).

4. (P. 89) *Autocratic and Communal State.*

In this connection we would refer readers to the excellent works of *Adolf Gasser*, "Geschichte der Volksfreiheit und der Demokratie," Aarau, 1939 and "Gemeindefreiheit als Rettung Europas," Basle, 1943. The opposition of *Autocracy and Association* is familiar to us above all through the great German jurist *Otto von Gierke*. See also *Franz Oppenheimer*, "System der Soziologie," vols. i and ii, Jena 1922, p. 367 ff.

5. (P. 90) *Catholic Social Philosophy.*

Among the more recent literature mention may be made of the following publications: *Z. F. Chevalier—E. Marmy*, "La communauté humaine," Fribourg, 1944; *Fernand Bollat*, "La société au service de la personne," St. Maurice, 1945; *Joseph Zürcher*, "Justitia Socialis," Schweizerische Rundschau, May, 1942.

6. (P. 93) *The Problem of Bureaucracy.*

One must recognise that contemporary officialdom has developed out of the autocratic state of the absolutist and centralised monarchy to the detriment of self-government. Against its obvious dangers there are two remedies in particular: the greatest possible extension of political decentralisation (self-government) and the principle of acquiring officials as far as possible from their own locality. The danger most to be feared is that of a bureaucracy which has come into being during the emergency of war consolidating itself and becoming a permanency. In Switzerland and the U.S.A. a tried remedy for this is the employment of public-spirited and experienced men of business for the temporary duties of a war economy.

7. (P. 94) "*L'Etat, c'est la grande fiction.*"

This sentence is taken from the extremely appropriate article "*L'État*" which *Frédéric Bastiat* published in the "*Journal des Débats*," of 25th September, 1848 (*Sophismes économiques*, third edition, Paris, 1873, vol. i, p. 322). A comical illustration is supplied by the following advertisement (*Basler Nachrichten*, 15-16th November, 1941): "New lavatory requirements and the erection of new bathrooms at the most advantageous prices delivered and installed for you complete with state subsidy . . ." Bastiat might have invented this himself in a parodistic mood.

## CHAPTER IV

### COUNTERWEIGHTS TO THE STATE

#### CONFORMITY AND UNBELIEF

HAS there ever been so much lack of character, so little civil courage, so much conformity and cynical opportunism, so many weak knees as in our generation?

If there be any exaggeration in this view it may well be excused when we take contemporary events into account, events which are visible to every observer and which provide us with a highly depressing general picture. We are unable to comprehend the history of recent decades unless we know that there has taken place an unbelievable shifting towards collectivism, regimentation of opinion, socialisation of existence and an abandonment of personality passing through every stage of mere wavering of judgment to reluctant submission to the most shameless opportunism. It would seem as though men who, in the mass in their contempt of physical death have almost put their ancestors in the shade, have simultaneously unlearned that other individual form of bravery which we designate civil courage, and this fact corroborates our general diagnosis of the disease of our society.

This gloomy state of affairs is in nowise contradicted by the fact that we are at the same time living in a period of mass persecution and emigration to a degree never before witnessed in the history of the world. For in contradistinction to the religious and political persecutions of the past, when, let us say, the Spanish Jews were able to save their skins by baptism, or French Protestants by abjuring their faith, the overwhelming majority of today's victims of collectivist persecution mania owe their fate to an attributed *caractère indélébile* which leaves them no option. Hence the inflexible courage of neither the Armenians nor the Russian bourgeoisie nor the Jews could be put to the test. Nevertheless those who in fact had the choice and still refused to submit unquestionably compose but a disappearing minority in relation to the mass of those who are being persecuted today. And this is just one of the major reasons why contemporary history has taken such a tragic turn.

If—in agreement with other observers—we would describe this predominant and characterless conformity as one of mortal danger for our civilisation this does not imply that instead we are favouring cranky originality and perverse individualism. On the contrary, “conformity” must be clearly distinguished from that spontaneous

and natural unanimity of direction—that *unitas in necessariis*—which characterises every genuine community. Its lack heralds a decay of the community, which decay sooner or later will be followed by the forced “co-ordination”—“*Gleichschaltung*”—what a word—of the collectivist state. Exaggerated individualism goes with social decay and mass civilisation, and it is just this mass civilisation which gives rise to the herd spirit and the type of government corresponding to the herd mentality, since the genuine community has disappeared and with it the strong armour of unassailable convictions for which people are prepared to stand bravely. Into the place of the inward unity of men in these ultimate convictions uniformity has stepped.

In this way we have shewn that a principle cause of this increasing conformity and of the disappearance of the balance between the individual and the state is to be sought in the spiritual and moral crisis of society. Benjamin Constant and A. de Tocqueville who were both classical examples of Liberalism (in the permanent sense of the doctrine of the balance between individual and collective life) already recognised this and they both came to the same conclusion. “L’époque où le sentiment religieux disparaît de l’âme des hommes est toujours voisine de celle de leur asservissement. Des peuples religieux ont pu être esclaves, aucun peuple irreligieux n’est demeuré libre . . . Aussi quand le despotisme se rencontre avec l’absence du sentiment religieux, l’espèce humaine se prosterne dans la poudre partout où la force se déploie. Les hommes qui se disent éclairés cherchent dans leur dédain pour tout ce qui tient aux idées religieuses un misérable dédommagement de leur esclavage . . . L’esprit, le plus vil des instruments quand il est séparé de la conscience, l’esprit, fier encore de sa flexibilité misérable, vient se jouer avec élégance au milieu de la dégradation générale. On rit de son propre esclavage et de sa propre corruption sans être moins corrompu; et cette plaisanterie sans discernement comme sans bornes, espèce de vertige d’une race abâtardie, est elle-même le symptôme ridicule d’une incurable dégénération.” (B. Constant, “Oeuvres politiques,” ed. Ch. Louandre, Paris, 1874, p. 186f).

With less eloquence than the Protestant Constant but with no less determination the Catholic Tocqueville expresses himself thus: “Pour moi, je doute que l’homme puisse jamais supporter à la fois une complète indépendance religieuse et une entière liberté politique et je suis porté à penser que s’il n’a pas de foi, il faut qu’il serve, et s’il est libre, qu’il crois.” (“De la démocratie en Amérique,” 13th ed., Paris, 1850, vol. II, p. 22). Another Liberal author at the time of Napoleon III, in a study of the difference between antique and modern liberty even expressed the view that it was the immortal courage of

the Christian martyrs to which we owe our freedom today, since we must attribute it to their inflexibility that the late Roman despotism was broken in the name of the universal Christian religion and that the inalterable right of the individual which is the essence of the modern idea of liberty could be championed. "Les palais des Papes ont remplacé les palais des Césars, le Vatican parle de puissance à l'Église ; mais au-dessus de cet édifice splendide il y a des catacombes, qui parlent de liberté." (E. Laboulaye, "L'état et ses limites," Paris, 1865, p. 115).

One will all the more readily subscribe to the view of these several trustworthy authors if one divests them of their dogmatic character and recognises the obvious limitations. Religious convictions are naturally a counterweight to a state power which demands submission, and an anchorage of freedom only if these do not lead to a uniformity of opinion through a worldly power on the part of the Church, or when they are not rooted in a national religion and thus themselves become the instruments of subjection and conformity. In order that neither the one nor the other should happen there must arise further conditions which take us beyond the simple declamations of Constant and Tocqueville. Care must be taken that religious convictions do not lose the dignity of their inner origin under pressure of a priestly despotism, since in that case men would be merely exchanging a State conformity for a Theocratical one. But religious convictions are equally unsuited to form a counterweight to the State if the religion is neither universal nor independent of the State.

In fact the great Italian sociologist Gaetano Mosca (who continues the line of Liberal thinkers from Locke and Montesquieu through Wilhelm von Humboldt, Constant, Royer-Collard, Tocqueville and Mill in a wholly original manner, and who with his contemporaries Croce and Guglielmo Ferrero form a glorious triumvirate of Italian Liberalism) has expressed the view that it is the separation of spiritual and temporal power together with the unmetaphysical character of the state which is the most important prerequisite for the preservation of the equilibrium of social forces and which alone can guarantee the legal protection of the individual against collectivism. We can observe the truth of this particularly clearly from the fate of those civilisations which have developed from a phase of religious tolerance and of frank worldliness into an oppressive theologising of the government repressing all free individual life ; from the fate of Indian civilisation which, after its first blossoming would appear to have become so appallingly static once Brahmanism had successfully established itself ; or from the history of Mohammedan civilisation whose puzzling petrification after the splendid commencement of

Arabian culture would be incomprehensible did one not take into account that the relative freedom of the Arabian Empire was destroyed by the zealous and intolerant Caesaro-Papism of the Sultans at about the same time as the opposite process was beginning in the Christian West. In this way one realises how utterly mistaken was Rousseau's fruitful spirit in preaching the worst despotism in the name of the sovereignty of the people on that page of his "*Contrat Social*" (Chapter VIII) where he complains of the separation of the "theological" from the "political" system, and Hobbes loudly applauding demanded their fusion in the name of national unity and of a "civil religion" which justified exile and death for its iron maintenance.

Those particular historical examples of a fusion of the political and the theological systems now illustrate the exceptional position of Christian civilisation, without which occidental history would have taken a wholly different course. It never came here to a firm and lasting fusion not only, as Mosca has already emphasised, because happily the Bible in contrast to the Koran contains only few directly applicable political maxims and not only because the celibacy of the Catholic Church has hindered the existence of an hereditary priestly caste, but above all on account of the rivalry between the Western Church and the civil power in contrast to the Eastern Church, which in Byzantium as in Russia, in combination with the civil power developed into a rigid despotism both temporal and spiritual. With Jacob Burckhardt we can speak of an "inexpressibly happy circumstance," for in this way alone, in the West, could a permanent national equilibrium come into being without which the European notion of liberty cannot be contemplated. Hence, but only to this extent, are Constant and Tocqueville right. We must recognise, however, that the decisive influence of Christianity on the state and society of the Occident is due not only to a fortunate accident of history. The last and most profound reason is to be sought rather in the Christian doctrine itself, which, in contradistinction to the social philosophy of pagan antiquity, starts from man as an individual endowed with an immortal soul striving for its salvation. Before the state there is now the Person, whereas above the state there is God, His love and His justice common to all men. Guglielmo Ferrero is quite right when he says that Christianity revolutionised the world by destroying the "*esprit pharaonique de l'État ancien*." ("*La fin des aventures, guerre et paix*," Paris, 1931, p. 255 ff.).

This is not the place to value the immeasurable contributions of the Church as an institution which, during the darkest days of the Middle Ages, kept the spark of culture burning under the ashes and by so doing laid the foundation for everything else, a mission without which



Europe would have become a mere peninsular of Asia. Indeed it is just those who like the present author do not belong to the Catholic Church who owe it to truth and fairness to express their highest appreciation of this fact. And this is the point. There can be no question that this Church throughout the whole of the Middle Ages—from whatever motives—in its capacity as a Power co-existent with and above the national governments proved a most effective counterweight to the state. And it is no less plain that limitation of the power of the State has again become a burning problem the more the universal power of the Catholic Church has been crumbling as a result of the Reformation and owing to the nationalisation of the churches of both Confessions in individual countries. One will not go far wrong in viewing this decay as one of the conditions as also one of the effects of modern state absolutism, and we would remark that greater freedom of thought was enjoyed at the University of Paris at the time of Gerson than at the time of Bossuet.

The problem is complicated by the difficulty of establishing the precise function of *Protestantism* in the development of the modern democratic and Liberal State, and we appear to be a long way from solving it just because that function seems so ambivalent and also because very differing thoughts and trends appear to emanate from all three principal reformers. It is clearly not our intention to take part in this discussion except to say that as a general rule there is a tendency to over-estimate the sociological *effects* of the theological content of various Protestant sects, whereas the sociological *conditions* under which they became effective are apt to be overlooked. Now this tendency is bound not only to burden discussion with theological strife but also to lead to gross over-simplification and generalisations, whereas actually we owe it to the variety of sociological conditions that Lutheranism and Calvinism have developed according to circumstances, sometimes in one way sometimes in another.

The case of Zwingli would seem to be the simplest and most explicit. Rooted in humanistic and at the same time the Swiss tradition, of open mind and a respectable burger of his city, he was equally averse to the theological obstinacy of Luther as he was to the ambitious theocratic tendencies of Calvin. In this he seems very near to us today even if we raise the question what would have happened, if the Council of Zurich had succumbed as did that of Geneva. The cases of Lutheranism and Calvinism are much more difficult.

The all-pervading spirit of docility towards the state evinced by *Lutheranism*—which would seem to render it unsuited to be a counterweight to the state—and the fact that in Germany it served strikingly as an instrument of absolutism, have created the opinion that

Lutheranism is of course the source of German State absolutism, and some even go so far as to see a connecting link between Luther, Hegel, Marx and Lenin on the one hand and with Bismarck, Treitschke and Hitler on the other. That Lutheranism had a fatal propensity to such an effect in that it led its adherents into political indifference and obedience can scarcely be denied. But this tendency alone would not be sufficient; whether it became effective or not depended upon the sociological conditions in which Lutheranism developed. This is shown by the circumstance that the Scandinavian countries and Finland are largely Lutheran. For instance Lutheranism in Sweden is quite different from that in Germany, not only because the Swedish reformer, Petri Olaus was a convinced humanist, but above all because in the former country the Lutheran Reformation under Gustavus Wasa had to be effected with the help of the peasants against the nobility and against the Catholic Pretender to the Throne, Sigismund of Poland. In this way a league between the King and the Lutheran population came about and was sealed by the execution of the leaders of the nobility (The "Massacre of Linköping," 1600).

In Germany on the contrary Lutheranism spread in that feudal and absolutist constellation which arose after the backbone of the German bourgeoisie had been broken by the destruction of German town civilisation at the close of the Middle Ages (probably Germany's greatest catastrophe and one which paved the way for current events). It was this combination of a dangerous theological tendency in Lutheranism with the corresponding sociological conditions which changed Lutheranism from being a counterweight to the state into an added source of power, and produced results which, from the point of view of democracy and liberty, would seem to represent a heavy liability. If Lutheran Protestantism had been able to develop into a Free Church instead of into a national and compulsory Church, in spite of its theological tendencies it would have become a centre of tolerance and opposition to the state. That this did not happen, but rather that every tendency to a Free Church movement was suppressed in Germany belongs to the many fatalities of that unhappy country. With what exquisite malice History behaved is most clearly revealed from the fact that Brandenburg (the later Prussia) after John Sigismund's change of faith (1613) a Calvinist Head of the State stood over a Lutheran population and thus the Calvinist activism of the sovereign was combined with Lutheran passive docility on the part of her subjects. Only fancy what would have become of Prussia and with her of Germany and Europe if contrariwise a Lutheran National Church had been joined to a Calvinist population! Unfortunately, as it was, in Prussia an explosive mixture of the greatest force had been contrived.

The case of *Calvinism* would seem to be the contrary. If one would argue against the usual estimation of Lutheranism that peculiar sociological conditions and not Lutheran theology alone worked as a break on the development of ideas of liberty we must equally remember the various sociological conditions before we can accept the common view that Calvinism, thanks to its theological content, served as the pace-maker for liberalism and democracy. In fact most modern research students of this subject seem unanimous that the theological content of the latter speaks rather for the precise opposite and that Calvinism where it has ruled the roost has been as intolerant as it possibly could be in Geneva just as in Boston. Nevertheless, supported by the fact that Calvinist doctrine embraces a democratic constitution for its church and that to a certain extent it leaned towards Free Church ideas, where it was not in a position to hold sway, Calvinism was lucky enough in decisive historical situations to appear in the rôle of a repressed and pugnacious minority. It was this alone which made it a strong advocate of tolerance and of limitation of the power of the state. Hence the ideas of Conformity and Non-Conformity which originated from its history assumed for us their contemporary general significance. Roger Williams from whose ideas of toleration one drew the conception of human and civic rights was the leader of a minority against the Theocracy of Boston no less than William Penn and the founders of the other Free Churches of America. If it was more the sociological environment than the theological basis which created Calvinism a buttress of Liberalism in the world, it is nevertheless also of course true that one can play no rôle permanently without finally living up to it. So it is probable that Calvinism modified its theological content in a Liberal sense. Only in this way can one understand the elementary force with which a deeply felt Liberalism has sprouted above all from the Protestant soil of Western Switzerland since the eighteenth century, from Burlamaqui and Vattel through Benjamin Constant and Madame de Stael to A. Vinet, Ch. Secrétan and E. Naville.

#### MATERIAL-INSTITUTIONAL COUNTERWEIGHTS

Faith and inviolable convictions are undoubtedly the deepest sources of resistance to the "Almighty State," the strongest counterweight to Collectivism and the most secure and indispensable guard against servile conformity and cynical opportunism. They comprise the universal values over and above the state, the supra-centralist forces which, like decentralisation, must tend to limit the state, and through their mutual co-operation with devolutionary tendencies will produce a healthy society. We have occupied ourselves exhaustively

with this factor so as to underline its extreme importance. That the ultimate cause of the subservience of the individual to the state is to be sought in the increasing dilution of faith and the growing disappearance of fundamental convictions must be plain to everyone. So far we have been dealing with but one aspect of the present spiritual and moral crisis. In this connection the old saying also is à propos, that nobody can be really free who has not inwardly made terms with death. “*La préméditation de la mort est préméditation de la liberté ; qui a appris à mourir, il a désappris à servir . . . le savoir mourir nous affranchit de toute subjection et contrainte.*” (Montaigne, “*Essais*,” I, 19). This thought is well worth pondering today.

But we must probe deeper into the matter. To this end, we ought to study not only the immaterial but also the material and institutional balancing forces in the state which are to be sought in the organisation of society and to ask ourselves whether a severe disequilibrium may not have arisen in the sociological balance to explain the triumph of the state over the individual. A highly elaborated equilibrium of forces—which generalises the division of powers as demanded by Montesquieu—would seem to be in fact an indispensable condition of a sound society in which the spontaneous activity of the individual as the ultimate source of civilisation and simultaneously of the permanent vitality of the state is guaranteed. Mosca who put this thought of a correct balance of social forces in the forefront of his work is absolutely right when he describes those times in which this was achieved and firmly anchored in law and institutions as the great but also alas only too short and too rare Golden Eras, and that the degree of civilisation is to be measured by the degree of equilibrium and of “legal protection” thereby guaranteed. It is easy to show that those happy eras coincide with the periods of “Legitimate Rule” in Ferrero’s sense.

We might do well here to take a glance at history and remind ourselves that the Leviathan of the late Roman Empire was destroyed not only by Christianity from within but simultaneously from without by Germanic infiltration, by Teuton tribes who, with their primitive organisation which we designate “Feudalism,” violently uprooted the firm bureaucratic national structure of Rome. It has constantly been writers of the Latin countries from Montesquieu through Taine and Laboulaye to Ortega y Gasset, who in continuation of Tacitus’ theme of the individualistic disposition of the Germans, have recognised in Germanic influence a source of modern liberty. Their views are at one with those who discern in the feudal structure of the Middle Ages which took its origin from the Germanic Kingdoms a permanent gain for liberty and individualism. In this we are touching on a

problem fraught with difficulties and manifold complexities which we cannot hope to solve here but would like to elucidate up to a point.

It was perfectly right to speak of the "old free democracies" (A. Gasser) which all have this in common, that in the Anglo-Saxon countries, in Switzerland, in the Netherlands and in the Scandinavian countries national life and the laws are founded upon the old popular laws and liberties maintained in the face of the absolutist bureaucratic influence of the autocratic state. In this most fortunate way the communal (associative) principle forced its way against the authoritarian one. We have already in the previous chapter had occasion to refer to the immense importance of this circumstance. This reminder is all the more urgent, as—with the sole exception of the Anglo-Saxon world—it refers to small and medium-sized states and some of these on the periphery of the map. This circumstance it was which enabled them to retain their associative character, but just because they were small and in addition lying partly on the periphery the voice of these countries in spite of the importance of their unique experience as compared with that of the authoritarian Great Powers does not obtain the hearing one could have wished.

The experiences of those countries are of course all the likelier to be appreciated and felt to be worth copying the more carefully and scrupulously these are interpreted. This applies particularly to that tendency to contrast democratic and liberal ideas which have developed in those countries in such an unbroken and undistorted way with the "Latin" and Roman legal idea and to identify the latter with absolutism, despotism, bureaucracy and abstract rationalism. This view contains a grain of truth but put in this over-simplified form it is scarcely satisfying and, moreover, liable to breed dangerous dissensions within the family of European Nations.

One would scarcely be hitting the nail on the head if for instance in England, in contrast to Scotland, where Roman Law has been accepted without appreciable damage, one were to represent the development in England as a successful battle against the influence of Roman Law. It should be obvious that there is no European country which has been able to escape from this legal side of civilisation handed down from Heathen and Christian Rome; actually the complete acceptance of Roman Law represents only an extreme border case of a quite general rule. In truth even in England whose judges and rules of precedence based on Common Law would seem the antithesis of Roman, the influence of Roman Law would appear to have been considerable, particularly through the Canon Law. It is therefore extremely doubtful, as most people in England seem to agree, that Roman Law can be described as "the synonym of absolutism." That

we owe to Roman and not to Germanic Law for a clear distinction between public and private law and are thus indebted to the former for the recognition of individual as opposed to state rights is not disputed however easily on the other hand the highly developed formal structure of Roman Law may lend itself to the claims of a centralised absolutism. Does not Roman Law—indeed the whole Latin civilisation on which it rests—contain besides the Caesarian element at the same time the immense inheritance of the ancient Roman feeling for law and of the Natural Law of Stoicism and Christianity standing up against state tyranny in the name of the inalienable personal rights which were proclaimed in the eighteenth century as the human and civil rights, as the final results of those streams joining with that other stream of Germanic Protestantism?

The truth is that not only do so many paths lead to Rome but just as many lead out from Rome: the paths of a Dogmatism cold as marble, of centralism and absolutism, but also the path of a humane and enlightening wisdom. Perhaps those who, through their intellectual, social and legal tradition—whether one calls it Teutonic or whatnot—were preserved from the fault of the Latins of giving rein to rationalism but who on the other hand run the risk of being proud of evading abstract and fundamental thought, ought not to esteem too lightly this glorious ray of Reason and decry it as Latin intellectualism. He who is not tired of emphasising the errors of rationalism will not be misunderstood if he warns against an excess on the other side and pleads for a refinement of perception. One will feel all the more inclined thereto if in accordance with one's tradition one belongs to the Germanic and Protestant sphere and hates every form of complacency.

We must exert ourselves to a similar refinement of our ideas in the matter of the various influences of feudalism which originated in the old Germanic kingdoms after the Invasions. For this *Germanic feudalism* also belongs to the many ambiguous things about which agreement is alone possible if its dual aspect is borne in mind. It is very easy to be led astray by the circumstance that feudalism could imply force, autocracy, and exploitation of the conquered by their conquerors. But on the other hand it also signifies decentralisation of the military organisation of administration and of political power and was hence a type of organisation which limited the power of the state, and which while more primitive was in competition with bureaucracy and centralisation, though liable sooner or later to succumb to the latter.

This dual aspect of feudalism lay in the fact that it was an authoritarian *decentralisation*, so that the emphasis can be laid now upon its

authoritarian and now upon its decentralistic character, so as to change its colour now negatively now positively. Feudalism has the authoritarian principle in common with the bureaucratic absolutist state with which it shares the original sin of power and so the responsibility for that poisoning of the social body which even yet will burden the distant future and which has determined the pathological social history of the greater part of the European Continent. Feudalism as an authoritarian decentralisation certainly set limits to the autocratic central government, which factor often led to anarchy but in so doing it bound the individual all the more closely to the feudal Hierarchy, so that the greater freedom of the feudal lords—e.g., the “*Libertäten*” of the old German Empire—had to be paid for with all the greater lack of liberty for their subjects and the total sum of freedom sank rather than rose. Feudalism developed on quite different lines in Germany and in France. In Germany there was a concentrated autocracy of the decentralised feudal authorities with a simultaneous weakness of the imperial central authority at one end of the scale and oppression of the citizens and peasants at the other. In France there was the concentrated autocracy at the centre, i.e., the French Monarchy with simultaneous oppression of the feudal hierarchy but a relatively better state of affairs for the peasants and higher status of the citizens. It is perhaps arguable which of the two arrangements was the worse but most people will agree that both are pathological and have been disastrous for the whole of Europe.

Feudalism must appear to us in this dark light if we lay the emphasis upon its authoritarian character. But if we stress its decentralising effect there is a great temptation to confuse it with non-feudal communal decentralisation which we met with in the communes, in the early Swiss confederate republics, the Associations of the North Sea Marches, the association of the Commons, the Peasant Associations and the craft guilds of the towns, or the self-government of the universities and the cloisters. Nevertheless the purposes of clarity are not served by combining these two wholly opposed phenomena under the conception of feudalism, with which the idea of autocracy is now indissolubly associated, and still less if one would idealise and confuse the conception of Feudalism characteristic of the Middle Ages (which in this respect we can paint as black as indeed it was) with those forms of communal decentralisation which overcame the Middle Ages. We can hardly hope to understand the history of the *extra-feudal part of Europe* if we fail to make a clear distinction between the two forms of decentralisation, the feudal and the communal. Only this latter decentralisation seems to be a net gain to liberty and the healthy equilibrium of society, and a counterweight to the state. It is this

type only which is the foundation for a genuine federalism, liberalism and democracy.

We must of course add that the boundary between feudal and communal decentralisation is not always easy to draw and that the one often develops into the other. What interests us here especially is the fact that feudal decentralisation changes into communal and this is precisely the path which England has followed for centuries with the same extraordinary and admirable talent for adaptability she has displayed in her conversion of her world empire into the British Commonwealth of Nations. However we must admit that the process of ridding England of the poison of feudalism has left the position of English feudalism in the economic and social sphere untouched. Indeed the process first firmly established this economic position of English feudalism during the seventeenth and eighteenth centuries whilst at the same time destroying the last remnants of peasant yeomanship. In England feudalism has certainly been reduced from a principal of political structure to an economic and a social one, but that is quite bad enough and rendered this fact a problem for England up to the present day. It is a problem which constitutes the social pathology of England. It is different from that of France and Germany to which we referred earlier, but it is serious enough to reduce England today to an economic and social ferment and to render reforms unpostponable, reforms which might assume a dangerous revolutionary character if she be not wisely led.

Although we are under no illusions about the challenging character of feudalism we are not blind to the possibilities which it contained of functioning as a counterweight to the state and as a hindrance to state absolutism. Indeed we would go a step further and say that feudalism is at the same time hierarchical and also in this respect has two aspects. Hierarchical in the sense of power relationship and hierarchical in the sense of that vertical class structure of society, and its leadership by an élite and legitimate minority, which differentiates an organic, healthy, stable, and well-balanced society from one which becomes the prey of the masses and eventually of tyranny. For against such a deterioration of society there is scarcely a better and more necessary protection than the existence of a class which, in opposition to the arbitrary tendencies of the state, embodies tradition, the firm retention of the inviolable principles of the community (the "formula politica" of Mosca), legitimacy, a treasury of experience and common sentiment acquired throughout generations and which opposes to dissolving tendencies a proud sense of independence, rooted in the firm foundation of family and vocational tradition and one which cannot dispense with the anchorage of some family property or other.



This class is formed from the "*famille-souches*" whose importance for the proper balancing of society the French sociologist Le Play in particular has revealed in its true light, the *rooted* family, the main characteristic of which is the inheritance of occupation and family hearth. The kind of family which lends firmness and permanency to the social structure, which is the opposite extreme of congestion, rootlessness and collectivisation and of whose invaluable significance one is becoming increasingly aware today now that this type is more and more vanishing. Their property may be very modest, and in a healthy society this class would be comprised mostly of peasant-yeomen, craftsmen, people with small businesses, and members of the liberal professions. None the less at the risk of shocking democratic sentiment it must be confessed that it lies in the interest of society that a certain number of these rooted families should exceed the average in the amount of property they possess and also in those virtues which would alone justify their doing so, i.e., if besides the overwhelming number of peasant proprietors there were here and there country gentlemen blessed with superior qualities and opportunities for being of service to the community. The same applies to some wealthy, but public-spirited and well-educated merchants and industrialists.

While rediscovering the immense worth of rooted families at the same time we acknowledge some virtue in the useful principle which determines the status of the individual in society at his birth. We recognise now what a blessing—within reasonable limits—this principle is, because the status of each individual (save for the few remaining country families particularly in agriculture and handicrafts) is almost exclusively at the mercy of vague individual leanings, unbridled ambition and a thousand other influences far more arbitrary than birth; because, as a consequence, the correct choice of occupation becomes an increasing torment since so many are seized with a strange restlessness, and lastly because ever fewer people know their proper place in society or whether they have chosen the right job. "*Ce panier de crabes qu'est la mêlée des ambitions humaines gagne à être compartimenté,*" (G. Thibon). Thus there is set a limit to the diminution of the rights of inheritance.

There is a type of democratic prudery which would prefer to leave such things unspoken. But since in these days truths of this kind are more likely to be ignored than to be exaggerated, this type of prudery should be dispensed with so long as one conscientiously avoids all white-washing of feudalism and monopoly. Then one can also make the admittance that just as the feudal principle of decentralisation can develop into a communal one, the feudal hierarchy based on power and privilege can pave the way to an hierarchy based on social service

and special competence with a broad middle zone in which our judgment will be liable to waver. This at once calls to mind the historical rôle of the British aristocracy, but we might also remember the much abused City aristocracy of Switzerland in the eighteenth century in a rather more friendly way than has become the fashion today.

#### LEVIATHAN

Communal decentralisation on one hand, a hierarchy based on social service and special competence on the other are thus the indispensable ingredients of a society in which the weights of individuality and collectivity hold the balance, and we shall be able to support them all the more readily the less of feudalism they embrace. Here we have Wilhelm von Humboldt's "Mannigfaltigkeit der Situationen" (diversity of circumstance), apportionment of balance, the "corps intermédiaires" which protect society from becoming a lumpy mass-society and the nation from centralisation, bureaucracy, absolutism, and totalitarianism whether monarchy or republic, an autocratic or democratic form of government. But that these counterweights have worn ever lighter owing to the structural decay of society, and that the weight in the collectivist scale has been sinking lower is a fact which requires no further emphasis here.

The consequence is that the ever more uniformed and inescapable official and police apparatus of the centralised state is surrounding the individual and obviously ruining the forces of spontaneity; that self-government and honorary public work are becoming ever more circumscribed and everything is converging more unequivocally in the single point of the unified state. This does not mean of course that we ought to blame the representatives of this autocratic apparatus for their loyalty to the government or their zeal in performing their duty. On the contrary it is the worst thing that can befall a nation if it cannot count upon a body of devoted, loyal, and competent officials who feel as much a part of the government as they feel the utmost independence of and impartiality to all illegitimate influence and who take a justified pride in their special and appropriate occupation. But this is quite consistent with the fact that officialdom occupying a special position in a nation is liable to grave danger the more bureaucracy increases and the more a nation lacks counterweights to this tendency. Indeed one is asking too much of bureaucracy in anticipating that it will set a limit to its own activities instead of pursuing the tendency confirmed by all experience not only obstinately to maintain itself in being but also to develop its influence still further. This tendency requires a heavy counterweight, one which is able to maintain a well-balanced society

of the type described and simultaneously the constitutionally legal system of representative democracy. Just on that account there is considerable danger that this continual extension of interventionism and collectivism which is rendering a democratic system more and more difficult to work and increasing the weight of bureaucracy will guide us with sure steps to Leviathan.

But there is another danger even greater than this. All other counterweights to the state would sink into insignificance if the chief one were lacking, namely, the minimum of economic independence for the individual which in turn is based upon a minimum amount of property, economic freedom and security of existence. Since, as a consequence of the division of labour the type of independent, self-supporting peasant has become the exception, this minimum of independence and freedom in economic matters can be found only in an economic system which we, in contradistinction to collectivist economy, describe as market economy. All thinkers hitherto—from Benjamin Constant through J. S. Mill to Mosca—have been fully cognizant of this point, and it is in fact very difficult to conjecture what could be set against this conclusion.

One would have to be totally blind to the pregnant lesson which is being taught us by so many countries. Where in the world is the collectivist nation in which there is a single individual who is not dependent for his naked existence upon the authorities, where there still exist men sufficiently independent to express criticism of the ruling powers, or heroic characters sufficiently suicidal not to bend the knee? One is justified in doubting whether all those who have been flirting with collectivism have sufficiently thought it over and realised that they are striving for a social system of which characterlessness, bent backs, and tight lips become the indubitable and certain features. All the more so since the restrictions of international migration, which incidentally are also an offspring of the same collectivist principle, bar even this dubious last escape, a circumstance which, in judging of the astonishingly small resistance which collectivism has had to encounter recently in so many countries, is not always sufficiently appreciated.

Meanwhile where it is a matter of freedom and the retention of one's personality we require counterweights not only against the state but also weights to counterbalance the forces of private pressure groups. Thus the danger threatens not only from collectivism but likewise from that other development which is rendering the individual in his economic existence dependent upon powerful groups of that kind. His independence jeopardized by proletarianisation, by concentration of private economic power, by increasing organisation and

monopoly, by cartels and associations, by agglomerations of financial interests, by corporativism, by the private planning economy of vested interests, in short by "business collectivism," where the farmer is no longer a free individual since he is dependent upon the cogwheels of his organisation, neither is the doctor nor the politician nor whosoever it may be. This is a state of affairs which fully corresponds to the feudalism of the Middle Ages. It amounts to an authoritarian decentralisation and the parallel is so complete that the old baronial courts have their analogy in the private courts of modern economic organisations. It is no mere figure of speech but a sociological statement when—as recently in England for example—industrial feudalism is spoken of; and just as the feudalism of the Middle Ages terminated finally in state absolutism so the private collectivism of the present day, if it is not revised, is but a step to state collectivism.

Two final considerations urge themselves upon us. To begin with, it is plain that in spite of contemporary developments people could still preserve a greater degree of independence, if on the average more of them were prepared to purchase a greater degree of freedom by making their demands on material things more moderate, instead of stupidly regarding a more modest way of life—without a motor or super-radio—as "*déclassé*." In this way a simpler mode of life and a deeper consciousness of the purpose of life should help. This brings us back once again to those spiritual and moral forces with which we began.

But of still greater importance is another view which should be repeated and emphasised. It is one at which we have already hinted several times. Those who look upon the state as only a means and not an end in itself must find satisfaction in the fact that the equilibrium of the forces of individuality and collectivity is the indispensable condition and prerequisite for the wholesome development of individual energies and for the accomplishment of lasting freedom. This equilibrium, however, is also in the highest interest of the nation itself which, if it destroy the spontaneity of free personality is exhausting the last remaining sources of its power. The state is just as dependent upon individuality as the latter is upon the state. Here the beautiful words with which a brave member of the French Tribunal (*Andrieux*) replied to Napoleon when the latter was admonishing him for the independence of his opinions are appropriate, "*On ne s'appuie que sur ce qui résiste.*" With the free individual our governments are, indeed, bound to perish sooner or later.

---

## NOTES

1. (P. 99) *Civil Courage*.

"Ce courage qui fait braver la mort dans une bataille, est plus facile que la profession publique, d'une opinion indépendante, au milieu des menaces des tyrans ou des factieux" (*Benjamin Constant*, "Oeuvres politiques," ed. Ch. Louandre, Paris, 1874, p. 319).

2. (P. 102) *The Exceptional Position of Christian Civilisation*.

Owing to the Bible being very poor in socio-philosophical reflections Christian social doctrine is not revealed but "natural" knowledge based on reason. See *Ch. Dawson*, "Progress and Religion," London, 1935; *Hugo Rahner*, "Abend-ländische Kirchenfreiheit," Dokumente über Kirche und Staat im frühen Christentum, Einsiedeln, 1943; *Henri Bergson*, "Les deux sources de la morale et de la religion," third edition, Paris, 1932.

3. (P. 105) *The Political Function of Calvinism*.

"Had Puritanism not loved liberty intrinsically it would have been condemned throughout history to be a permanent minority and so simultaneously to be the constant advocate of religious freedom. In this manner it became a permanent factor in the limitation of the state." (*E. Barker*, "The National Character," third edition, London, 1939, p. 203). Also *Jacob Burckhardt* ("Historical Fragments," new edition, Basle, 1942, p. 191) writes to the same effect: "Protestantism in its early official form was the arch-enemy of civic liberty. As a result of its breaking up into sects it contributed in point of fact to the appearance of liberty." See also *G. von Schulze-Gävernitz*, "Die geistesgeschichtlichen Grundlagen der anglo-amerikanischen Weltsuprematie," Archiv für Social-wissenschaft, vol. lviii, 1927; *M. E. Chenevière*, "La pensée politique de Calvin," Paris, 1937; *Georges de Lagarde*, "Recherches sur l'esprit politique de la Réforme," Paris, 1926. A good example of our thesis is the intolerance which shrank from no exercise of force or denunciation and with which Jurieu (the French Calvinist leader and opponent of Bossuet) pursued the Protestant dissidents in Holland whilst fighting Louis XIV for the rights of liberty of conscience! (*P. Hazard*, "Die Krise des europäischen Geistes 1680-1715," Hamburg, 1939, p. 125 and p. 328). One must of course admit that the theology and constitution of the Calvinist Church contained an element of democracy but unless Calvinism had had to play the rôle of a minority it would none the less have remained an undisguisedly illiberal democracy.

4. (P. 106) *The Balance of Forces in Society*.

The necessity for a balance of social forces has recently been emphasised by *Dietrich Schindler*, "Verfassungsrecht und soziale Struktur," Zurich, 1932, p. 135 where "compensatory relationship" which "every sound and lasting democracy should exhibit" is discussed. On this point and many others cf. also, *Bertrand de Foubenal*, "Du Pouvoir," Geneva, 1945.

5. (P. 107) *The Influence of Roman Law*.

In connection with this much disputed question see *C. H. McIlwain*, "Our Heritage from the Law of Rome," Foreign Affairs, April, 1941. It is important to realise that what one is accustomed to criticise in Roman Law is largely a product of later work contributed by Byzantine and Western scholarship up till the nineteenth century. (*Andreas B. Schwarz*, "Pandektenwissenschaft und heutiges romanistisches Studium," Festgabe zum Schweizerischen Juristentag, Zurich, 1928).

6. (P. 109) *Feudal Hierarchy and the Hierarchy based on Social Services*.

The various and specific distinctions which have been dealt with in the text may be of use in solving the difficult problem of what rôle should be attributable to the nobility in the history of Switzerland and how this fits in with the extra-feudal character of Swiss development. The complexity of the problem is due to the fluid character of the transition from feudal to communal decentralisation and from the feudal hierarchy to the hierarchy based on social services. In this we are reminded of the parallel of England where the history of English parliamentary development from Magna Charta to the Reform Bill of 1832 was a gradual transformation from feudal to the communal decentralisation.

7. (P. 112) *Bureaucracy.*

The way of bureaucracy described in the text is the same as that along which the Roman Empire travelled to Leviathan and came finally to grief itself as a result of the destruction of individuality and spontaneity. At the end of the second century A.D. local self-government was virtually dissolved everywhere and the net of a gigantic bureaucracy encompassing everything had spread over the whole Empire. It is also a disconcerting thought for us that this all-pervasive fiscalism and bureaucratisation meant the decimation of the possessing middle classes and thus this particular counterweight to the state was removed. Perhaps this process was also at that time accompanied by a chorus which adorned it with the halo of what is up-to-date and which screamed down those who gave warning as antiquated "liberalistic" fossils. Anyway such behaviour might be expected from a period which uncannily equals our own in a characteristic feature to which *Ortega y Gasset* ("Toward a Philosophy of History," New York, 1941, p. 67 ff.) has emphatically drawn attention; the ubiquitous sottishness which we might describe as an incapacity for fundamental or discerning thought, and the general uniformity of outlook which distinguishes it.

That already before the decay of the Roman Empire the fall of the Hellenic world was in a measure due to rigid economic collectivism and that this was especially the case with the Egyptian Empire of the Ptolemies where an elaborate planned economic system appears to have prevailed has conscientiously and convincingly been demonstrated by *M. Rostovtzeff* ("The Social and Economic History of the Hellenistic World," Oxford, 1941).

A small fact illustrative of our epoch; at the time of Jefferson in the United States there was one confederate official for every five thousand inhabitants, today the figure is one to forty-five (including the officials in the subordinate authorities one to twenty-five).

8. (P. 113) *Collectivism and Personal Dependence.*

"If, then, all the instruments of production pass into the hands of the government, the officials who control and apportion production become the arbiters of the fortunes and welfare of all, and we get a more powerful oligarchy, a more all-embracing 'racket,' than has ever been seen in a society of advanced civilisation. If all moral and material advantages depend on those who hold power, there is no baseness that will not be resorted to in order to please them; just as there is no act of chicanery or violence that will not be resorted to in order to attain power, in other words, in order to belong to the number of those who hand out the cake rather than to the larger number of those who have to rest content with the slices that are doled out to them." (*G. Mosca*, "The Ruling Class," New York, 1939, p. 144).

9. (P. 114) *Balancing of Forces in Economic Policy.*

The theory of an equilibrium of forces applies to a certain extent also to economic policy. In this sphere also it is particularly dangerous if a powerful group effects its own egotistical economic policy or joins with other powerful groups in a share of the spoils. This is particularly the case as regards foreign trade in which the interest of groups is liable to show a bias towards protection which can be the ruin of national economy unless a group with opposed interests should hold the balance. Happily a balance of opposing interests is usually maintained even where the intelligence and energy exerted varies from country to country and from age to age. As long as a country is still in the agrarian stage young industries will demand protective duties. This however will conflict with the interests of agriculture, which, so long as the latter has an export surplus, will tend to defend a liberal policy (like the Prussian landowners up till the middle of the nineteenth century). Once the country has developed into an industrial one the demands of agriculture for protection could become unlimited were it not that the opposing interests of industries intent on exporting their surplus products called a halt, unless the former were to succeed in organising itself monopolistically in the same way as the heavy industries. (See *W. Röpke*, "German Commercial Policy," London, 1934, p. 24 ff.).

## CHAPTER V

### SPECIFIC COUNTERWEIGHTS TO THE POWER OF THE STATE

#### SCIENCE—THE BENCH—THE PRESS

IF it has been our endeavour in the previous chapter to expound the problem of maintaining a healthy balance between the individual and the state in its full implications and to indicate the way in which it should be solved we must now turn our attention to some special institutions and factors in a well-balanced modern nation, namely, Science, the Bench, and the Press. We must show the place these occupy in a balanced and "liberal" society and we must specify those conditions under which alone they can retain their place.

#### ONCE MORE THE "CLERKS"

Whilst seeking for that common denominator which binds these three social institutions together and searching beyond for that higher principle from which they derive we must repeat: all advanced civilisation requires a social and national edifice which will secure the leading place to the supra-national values and forces, and which will afford the possibility of development to the spontaneous expression of the personality. There must always be standing above the government and independent from it, a class of intelligent and reliable men who courageously represent these supra-national forces against the lurking tyranny of society, willing to oppose that tendency of the state to unbridled and forceful domination, and who are a living embodiment of the phrase that one should render unto Caesar what is Caesar's but also unto God what is God's. In these men society would dispose of an unimpeachable Court of Appeal representing truth even if this be not necessarily in agreement with the wishes and opinions of those in power, representing a justice higher than the decrees of the governing body, and possessing a humanity which would but emphasise the limitations of cold "*raisons d'état*." These people will occupy us in this book constantly and we have followed Julien Benda's example in calling them "clerks."

We should not however employ this title of distinction in too narrow a sense by looking in the first instance upon them as belonging to a class of rigid and institutionally-minded professionals, but rather view them as people who are likely to distinguish themselves by their courage,

sense of responsibility, their love of truth and their sense of justice. This type is to be found in every class and in all professions but undoubtedly it predominates in that class whose very name expresses the characteristics of moderation and balance, namely the so-called middle class, which disposes of just that amount of property which assures a certain independence without degenerating into plutocracy or feudalism and which is able upon this firm foundation to preserve spiritual and moral continuity. That is the reason why far-sighted thinkers from Aristotle to Bryce and Mosca have always been united in the opinion that the existence of a broad middle class is an essential prerequisite of a sound democracy and the reason why a genuine democracy cannot thrive in countries where a middle class possessed of a sense of responsibility is lacking, for it is this class with its spiritual, moral and material weight which acts as a counterbalance to the state. Once one is clear about this one can measure the frightful danger which is today threatening even still healthy democracies through a gradual trituration of the middle class, a process to which not only a couple of world wars and their consequences but also a specific economic, financial and social policy have all contributed.

Now it is this class, equally divorced from proletarianism and corrupting wealth, which unites property with industry, parsimonious habits with culture and which in relatively modest circumstances represents the essence of spiritual and moral tradition. It is the mother earth out of which the genuine and leading "clerks" have gone forth. Those who with the inner authority of their superior sense of responsibility, judgment and knowledge must take their place as a recognised matter of course in any sound society, whatever its formal legal structure. Since they represent what is highest and best we must seek them first from amongst the representatives of religion, from those who hold the highest conception of their office and their doctrine, and, let us not be afraid of saying so, for all the criticism directed against the Church and Christianity will not alter matters, because everything stands or falls with religion as the final Court of Appeal, that counterweight to state despotism without which, as we observed, all else becomes ineffective. One must indeed be blind to contemporary history if one misses the very close connection between the threatening tendency to collectivism and the general blunting of religious sentiment amongst not only the broad masses of the population but also in the educated classes, and if one cannot discern that all attacks of positivism and rationalism in the majority of cases have led, not to a noble and philosophical agnosticism, but to a vulgar and demoralising materialism which finally ends by transforming those metaphysical needs which are not to be suppressed into hideous



superstitions and the mock religions of nationalism, collectivism or "biologism."

If we are searching for the ideal "clerk" in the most intrinsic sense of the word, perhaps the impressive figure of a Saint Ambrose will arise before our eyes, a saint who possessed the moral courage at a moment when the power of the Church was anything but assured, to encounter the all-powerful Emperor Theodosius at the porch of Milan Cathedral to force him to a public penance for the massacre of Salonica. Later developments have tended to put into the forefront the more mundane variety of these "clerks," some of whom taken at random strike us with symbolic force, as for instance a Petrarch who was in the habit of writing letters of an unheard of frankness to the Emperor Charles IV, a Thomas More who braved Henry VIII and faced the scaffold, a Luther before the Imperial Diet at Worms, a Spinoza preferring to earn his bread by polishing spectacles instead of accepting a call to Heidelberg University, or the "Seven of Göttingen" who protested against King Ernst August's breach of the Constitution (1837) thereby losing office and home.

Of course courage and imperturbability are not the only things. At all times there should be not only an Ambrose, a Petrarch, a More, a Luther, a Spinoza or a Grimm, but also leaders of the nation who are prepared to bow to the authority of these great "clerks"; a Theodosius sinking before the Cross, a Charles IV recognising the authority of a Petrarch. In contrast to crowned louts like Henry VIII and Ernst August of Hanover national leaders should have that minimum of respect for the "clerks" which is appropriate and show that they appreciate the values which these represent. National leaders perform the best service for themselves as well as for the nation if in their respect for the "clerks" they determine the latter's natural place in society and in so doing subordinate the nation and society to a higher spiritual and moral principle.

If however the "clerks" are left in the lurch by the former they ought at least to be able to count on the authority and esteem which they enjoy from public opinion and in this way obtain that backing which shortsighted or corrupt politicians deny them. If nations will not or cannot imitate the spirit of the city of Antwerp which offered Albrecht Dürer a year's hospitality tax free merely to secure for themselves the honour of a visit from him, the "clerks" should at least be able to assume that public opinion regards a gesture of this kind as noble and worthy of imitation, and that it recognises a natural hierarchy of talent and function instead of giving way to the tendency to spiritual uniformity and the levelling of the pyramid of natural rank. Fortunately in spite of everything, in those countries which have not yet hopelessly

surrendered to regimentation, the "clerks" still have it in their own hands by their conduct to assure themselves of the authority and respect which they need. Not only can they rely upon the respect which the normal person is conscious that he owes to exceptional talent, but above all upon the fact that at all times the dignity of rank corresponds to the degree of self-sacrifice, detachment and positive devotion which adhere to its functions, and that the danger which accompanies the unflinching pursuit of thier calling endows it with a peculiar dignity. If during the last few years respect for and the authority of the "clerks" have so clearly suffered, they would do well seriously to examine themselves to discover to what extent they themselves may have lacked those prerequisites upon which their own value and the readiness of others to show their respect depend.

Now all categories of "clerks" have two particularly difficult problems in common, upon at any rate a partial solution of which their social value depends. The problem of their selection and vocation and that of their physical maintenance. For these problems there is neither an ideal nor a uniform solution but only a great variety of methods. At least for one of these problems, that of maintenance, the principle holds good that it is a mistake for "clerks" to be the immediate recipients of cash from private or public authorities unless these supporters happen to be the most binding and solid guarantors of their protégés' professional autonomy. As a general rule it would be best to defray their living expenses from some corporative property free from state interference. The mediaeval Guilds and the endowments of modern times provide examples of what we mean, i.e., institutions which enjoy either an autonomous management or which are subject to some recognised and responsible authority. In this connection let us remember that the "universities" from which the university of modern times derives its name does not only denote the breadth of its curriculum alone, but was at the same time the legal expression for the corporative personality. Even such a disputed institution as church property assumes another and a more friendly aspect in spite of the undisputed abuses of the feudal age, whereas every further limitation of corporations and foundations and of their self-government is much to be regretted as an advance on the part of centralisation and to be energetically combatted.

Here as elsewhere the consequences of a material dependency as well as the dangers of a disproportionate weight of a single moral and spiritual tendency are considerably reduced if the strongest emphasis be laid upon decentralisation and variety. The universities are a good example of this. They offer a greater amount of scientific freedom and variety the less they are subject to the central authority of the state.

What would have become of the "seven Göttingers" if the Kings of Prussia and Württemberg had not derived pleasure in annoying their Hanoverian relatives and having these outlaws taken by their own universities? And what has it not meant for the spiritual freedom of the whole of central Europe—until quite recently—that the High School authorities not only of the German states but also those of Switzerland, Czecho-Slovakia, and Austria offered a refuge and a wide field of activity to men of learning of every shade? A uniform university, academy, theatre, publisher, newspaper, weekly! What abominations! Like the uniform state whose creature and tool all these things would become, instead of the variegated colourfulness, variety and decentralisation which of themselves balance the realm of the spirit and prevent it from drying up. It is as well that we should keep a watchful eye on the centralising tendencies of our day, tendencies which are powerfully furthered by the inventions of the cinema and wireless, and we have every reason to welcome all leavening and decentralisation factors, all counterbalances and all possible outlets for non-conformity.

#### SCIENCE

With what has already been written we have largely anticipated what remains to be said on the subject of the first of the three social Courts of Appeal, namely Science. We can therefore be brief, especially as our general remarks on the "clerks" have considerable relevance to science, and the theme of science has already occupied us in earlier chapters as one of the problems of intellectual life. It may therefore be left to the reader himself to apply the analogy to *art*. Since it is the duty of science to represent Truth even if this may not serve the purposes of the state, and as we shall see, the duty of a judge to be the advocate of Justice, even where this may be directed against the state, art also must show that beauty exists apart from and above the government. Now of course hitherto in this particular sphere the state has put forward only very moderate claims. Only in our own epoch of totalitarianism has it been reserved for the state to make even this sphere its own and thus to render the independent artist an accusing witness against the state.

The scientist has today become the leading representative of the secularised form of "clerks" in so far as he is capable of fulfilling the severe conditions we have indicated. That is the noble and simply indispensable mission which falls to him, and this mission, as we have seen earlier, endows science with a significance which reaches far beyond the significance of its objective but never final results, namely, that of being the hearth of the honourable pursuit of truth, the con-

scientific defender of ultimate values and the field of "free thought" (Jacob Burckhardt). Such a rôle naturally presupposes that it is constantly guiding the scholar in his work and preserving him from the errors with which we are already acquainted, and particularly from scientific demagoguery which exists no less than political, from the lust of domination and from ambition, which according to Bacon (*"De argumentis scientiarum,"* vol. I), can turn "winged angels" (*angeli alati*) into "creeping serpents" (*serpentes qui humi reptant*), from regimentation in science which, as we have seen pushes even more into the background the type of scholar working in the silence of his study in face of the institutionalised rolling-mills of research, something which has already produced veritable Kolchoses, i.e., Russian collective giant farms, of science, and finally from hair-splitting Alexandrianism and that Philistine pedantry which have reduced science to a caricature.

There is certainly general agreement on all this but none will deny either, the present dangers for the scientists. Dangers from within and without; decreasing readiness on their part to satisfy those conditions which they must inexorably impose on themselves; problems in connection with the suitable training of young scientists; an increasing burdening of scientists with lectures, examinations and administrative questions, about which complaints are rightly being made in every country; and increasing dependence and blunted sense of the necessity for the utmost independence and impartiality as regards influences which may appear quite innocent, to say nothing of the rising influence of modern mass society with its increasing state absolutism and organised vested interests. As regards these several dangers the phrase "men not measures" certainly applies. Meanwhile it is quite clear that a great deal depends on the proper organisation of science so that arrangements can be made to render the difficult if in other ways gratifying duties of scientists easier, and their material circumstances such as will place them above temptation by giving them suitable remuneration. What scope there is for reform every initiated person knows.

### THE BENCH

That we are now leaving Science and turning our attention to the next group of "clerks," the Bench, represents an instinctive and age-old feeling. Bound up with the supra-national majesty of the law which should render a judge a "clerk" par excellence, is the requirement—as in science—that a judge shall give his judgments independently of the "Star Chamber justice" of the state and thereby serve not justice alone but also truth. "Scientific liberty" remarks a leading

German lawyer (G. Radbruch) becomes in the judicature "juridical independence."

This is in accordance with the powerful impression which anecdotes make—whether true or invented—that illustrate the independence of judges in their proud utterances and noble gestures; for instance the Frederician legend of the Berlin "Kammergericht" or the Judge of the Supreme Court in America, who, being addressed by President Roosevelt on a case still under consideration, broke off all discussion with the disgusted cry, "By God, Sir, I am a judge." Thus despots like Cromwell we rate highly when they respect the inviolability of a court of law, just as we regard it as the very height of tyranny if a despot brutally subjects judges to the power of the state. However many of Montesquieu's other points in his doctrine of the balancing of forces within the nation may still hold good today, his insistence upon the separation of the legislature from the executive has been shown to be quite indispensable. Indeed without this we cannot even conceive of justice in a nation. It is the Great Wall which protects us from an intolerable arbitrariness and tyranny, and which even today no despotic government dare destroy without a thick smoke-screen of verbal subtlety.

How this independence of the "High Priests" of the Law Courts is to be assured is naturally an extremely difficult problem, the answer to which Law-givers and philosophers have squabbled about since time immemorial without a satisfactory one being forthcoming. The core of the difficulty lies in the fact that this particular group of "clerks" are essentially organs of the state from whom they derive their authority and punitive powers. Fundamentally there are only four possible methods of solving the problem of finding and appointing judges. One, by sale or inheritance of the office as in the ancient régime, two, by public vote, three, by nomination and four, through co-option by the judges themselves. Having decided against the first method as impracticable today we should ponder the advantages and disadvantages of the remainder whilst retaining in all cases the principle of irremovability. As regards the dangers of voting in accordance with Rousseau's doctrine of pure democracy, there should be as little illusion as about the defects of a system of appointment. If one does not care to consider co-option seriously some combined system of voting for the lower ranks of judges with appointment for the higher would seem relatively the best solution.

#### THE PRESS

As we are now including the Press as a third Court of Appeal in a well-balanced society and hence adding journalists to the happy family of the "clerks," many will think such a condescension requires some

explanation. Even if we hastily add that under the term "Press" all periodicals are to be understood there remains considerable difficulty in the matter. It is based on the fact that there is scarcely any profession which reveals such an immense breadth between the group of leaders and responsible people and the very worst type of irresponsibility, which unites on the one hand genuine "clerks" in the very best sense of the word and on the other the worst possible examples to the contrary.

In this difficulty in the matter of obtaining a complete view of the problem of the Press lie all the complicated questions regarding the freedom of the Press. If in journalism it were a matter of dealing only with those who possessed a sense of responsibility, with the true "clerks," i.e., those possessing a real inner call to exercise authority, it would be incumbent upon us to praise liberty of the Press without the slightest reservation and to defend it as we do the liberty of science and the independence of the Bench. We could then express without the slightest reserve what in truth we can only do conditionally: namely, without a Free Press, hence bereft of the fullest publicity, there would fundamentally be as little protection from arbitrariness as if there were no independent judiciary under whatever form of government we might have. The Press has become the real Forum of the modern nation in which all opinion compatible with public order can express itself without hindrance. For this reason all tyrants invariably honour liberty of the Press by abolishing it at the earliest possible moment as the first and most inopportune hindrance to a régime of force and despotism. A Free Press is an indispensable instrument of the government itself, since without, it is more or less in the dark as regards the internal situation of the country, and public opinion then deteriorates into isolated whispering circles; any "blackout" of publicity creates an uncanny wall of mutual fear between people and government which endangers the legitimacy of the government; thus one must never sacrifice the Press, "*sans laquelle une nation n'est qu'une agrégation d'esclaves*" to quote Benjamin Constant. These are all golden truths but soon forgotten. One might even go so far as to say that a liberty of the Press which led to abuses and disorder would be preferable to its repression, which would be likely to have as its consequence far worse abuses and more insufferable disorders. In fact one might as well condemn all human institutions if one were to envisage only their misuse, religion just as well as property or marriage. In connection with the widespread small appreciation of journalism one might well emphatically adopt the noble words of Karl Jasper when he speaks of the quite special responsibility of the journalist which is the root of his self-respect and also Jasper's

characterisation of him as "a Co-Creator of the Moment because he discovers the What-is-to-be-said *Now*." That is all very well and yet we are aware that it is not the whole of the story. We are far from feeling reassured and we must seek even more earnestly than in connection with science or the Bench those conditions which ought to be set to liberty, just as we must be on the lookout for the dangers which are threatening liberty of the Press today.

As a peculiarity of the Press we have already mentioned the extraordinary breadth in personnel as regards moral and spiritual qualifications. The dangers resulting from this state of affairs are however multiplied on account of the specific mission of the Press, namely Publicity. That therefore some sort of legal restraint must be imposed upon irresponsibility, and a purely scurrilous "Yellow Press" unsentimentally forbidden is indisputable if one does not wish to give a suicidal interpretation to liberal toleration. The Anglo-Saxon practice of dealing with libels in the Press by compensating personal attacks with very heavy damages seems highly to be commended although this same practice can be extremely objectionable if it endows divorce cases with a disgusting publicity. Now there is yet a further danger and one that is continually increasing which must be considered, namely, the fact that a modern newspaper incurs enormous expenditure, which fact can easily predispose it to err. For instance, it may be led into a cynical lack of scruple in its choice of methods to increase circulation, into dependence upon vested interests, upon fat subscribers and large capitalists, and finally into a more or less veiled corruption. This problem also is incapable of an ideal solution unless it be by means of the moral qualification of possessing a sense of responsibility. As things are one can never hope for more than a limitation of all abuses to a reasonable extent, but this is an aim which should be pursued with vigour. Hence as a general rule not only the pedestrian principle that trees don't grow in Heaven and that in the end natural limits are set to an irresponsible Press will justify itself, but also a no less pedestrian experience which is demonstrated by the saying, that every old newspaper is a good one and every new one a bad. The older the newspaper the greater its sense of its responsibility, the greater the weight of its tradition and the greater its accumulated capital of experience and insight, capital accumulated throughout generations and which can be effectively preserved against all influences of the moment and cheap concessions to mob taste. And then there still always remains the danger that even the journalist who possesses the deepest sense of his responsibilities will find that it is becoming more and more difficult to keep himself free from those tendencies to regimentation which are coming to him from without, or free from a

sterile activity which is reducing him to a hunted victim of the machine. Here no reform of the habits of the Press world can help but only a fundamental reform of society itself, to be an advocate of which the great journalist is no less called upon than any other "clerk."

---

NOTES

1. (P. 120) *Danger and Dignity of a Profession.*

For "Clerks" who are true to their calling what *Samuel Johnson* said of sailors and soldiers is very *à propos*: "The profession of soldiers and sailors has the dignity of danger. Mankind reverence those who have got over fear, which is so general a weakness." (Boswell's "Life of Johnson," Oxford University Press, II, p. 201). This highly important matter is dealt with exhaustively and with special application to the "clerks" in Ruskin's beautiful Essay, "The Roots of Honour" (in his work "Unto this Last"), Ruskin points out that a soldier's honour is not founded in the fact that he is taking the lives of others but that he is prepared to sacrifice his own life on behalf of others.

2. (P. 120) *The Essential Autonomy of Universities.*

Many years ago when the celebrated Theologian Harnack, a former Rector of Berlin University was introducing an American Professor to the German Emperor, he remarked that the professor had come from a monarchy within a republic (the American university) to a republic within a monarchy (the German university). One might have wished that the German professors had made more of their republic.

3. (P. 122) *Passion for domination on the part of "intellectuals."*

It would be a naïve self-deception to visualise "clerks" as angels without lust or passion and devoid of a certain scientific *libido dominandi*. Time and again philosophers and intellectuals have advanced claims to rule the world, from *Plato* to *Saint-Simon*, *Comte* and the modern technocrats and collectivist scientists. Hence the "clerks" also require a counterweight either by their own competition or through other spheres in society.

4. (P. 122) *Intellectual Alexandrianism.*

The following happy story will illustrate my point. Chancellor Ulrich Pregitzer of Tübingen from 1620 to 1624 gave three hundred and twelve lectures upon Daniel, then in the course of twenty-five years he delivered one thousand five hundred and nine lectures upon Isaiah, then on the 1st July, 1649, he began on Jeremiah and had completed the first half of the course by the 10th April, 1650 "upon which day he went to his rest in the Lord aged eighty years." (*Dolch*, "Geschichte des deutschen Studententums," 1858, p. 277). No one doubts that Germany is the "show place" for this type of pedantry on the part of the learned.



5. (P. 122) *The Independence of Scholars.*

The dangers of dependence, including the more subtle kind, are especially great in the social sciences. See particularly the admirable book by *W. H. Hutt* in this connection, "Economists and the Public," London, 1936. And the golden rule which *Benjamin Constant* set up for judges applies here, "Règle générale : attachez aux fonctions publiques des salaires qui entourent de considération ceux qui les occupent, ou rendez-les tout-à-fait gratuites . . . les fonctions de juges ne sont pas de nature à être exercées gratuitement, et toute fonction qui a besoin d'un salaire est méprisée, si ce salaire est très-modique." ("Oeuvres politiques," ed. by Ch. Louandre, Paris, 1874, p. 321).

6. (P. 123) *The Press.*

On the subject of the liberty of the Press the following are well worth consulting : *B. Constant* supra p. 212 ff. ; *Le Play*, "La réforme sociale," second edition, Paris, 1866, Vol. II, p. 396. For the problem as a whole, *Wickham Stead*, "The Press," London, 1938. The quotation from *Jaspers* is taken from his book, "Die Geistige Situation der Zeit," Leipzig, 1932, p. 110.



## PART III

### SOCIETY

*“Take but degree away, untune that string,  
And, hark ! what discord follows ; each thing meets  
In mere oppugnancy : the bounded waters  
Should lift their bosoms higher than the shores,  
And make a sop of all this solid globe :  
Strength should be lord of imbecility,  
And the rude son should strike his father dead :  
Force should be right ; or rather, right and wrong,  
Between whose endless jar justice resides,  
Should lose their names, and so should justice too.  
Then everything includes itself in power,  
Power into will, will into appetite ;  
And appetite, an universal wolf,  
So doubly seconded with will and power,  
Must make perforce an universal prey,  
And last eat up himself.”*

Shakespeare, *Troilus and Cressida*, I 3 (Waverley Ed.).



## CHAPTER VI

### CONGESTION AND PROLETARIANISATION OF SOCIETY

#### SHATTERED OPTIMISM

It seems that in all great crises of world history the majority of people have completely deceived themselves as to where they stood, just as if Providence had drawn a veil over the impending disaster. "Avant 1789, on marchait à une catastrophe en croyant approcher d'un âge d'or" (Alphonse de Candolle, "Histoire des sciences et des savants depuis deux siècles," Geneva, 1873, p. 257), whereas according to Taine the *ancien régime* represented a long drawn out suicide of society, and the crisis which was lurking therein and which came to a head in 1789 is in truth still our own. It would seem as though it has always been so and that we too who are living at the present time have not forgotten that "Euphorie," that optimistic self-deception and that astounding superficiality of diagnosis with which so many of us have judged the state of the world during the past decade. How slow people have been to grasp facts, how they have struggled against the disagreeable awakening and for what a long time they have felt themselves able to establish themselves comfortably on top of an avalanche! How often has one not asked oneself whether one should indeed awaken them realising how terrible this awakening would be!

Today this stage has been fundamentally overcome, but whilst the second World War both as the consequence and the clearest expression of the collapse of our society has devastated Europe, it is our duty to take account of the nature and fundamental causes of the catastrophe, matters which have not yet been satisfactorily solved. As the disaster was upon us we gained the impression that most people had indeed at last woken up but were rushing about pell-mell still drunk with sleep and devoid of purpose, not knowing to whom to turn or how to save themselves, and there were many who, in their ignorance of the nature of the catastrophe due to the dissolution of society, fallen victim to mass formation and collectivism, appeared to be rushing blindly into the fire.

What has actually happened? While we are seeking an answer to this question let us not forget the admonishers, the pessimists and the prophets of a bygone age who pointed out the danger more or less clearly and who might have spared us much unhappiness had we listened to them in time; from Goethe and Wilhelm von Humboldt to John

Stuart Mill, Dostoevski, Tocqueville and Jacob Burckhardt. We are astonished when we read in Mill's celebrated essay "On Liberty" (1859), "At present individuals are lost in the crowd . . . The only power deserving of the name is that of masses, and of governments while they make themselves the organ of the tendencies and instincts of masses . . . And what is a still greater novelty, the mass do not now take their opinions from the dignitaries in Church or State, from ostensible leaders, or from books. Their thinking is done for them by men much like themselves addressing them or speaking in their name, on the spur of the moment through the newspapers." And is it really necessary to quote the many shatteringly clear portions from the letters of Jacob Burckhardt? As for instance when he writes to his friend von Preen on 30th December, 1875, "People today feel lost and they shudder if they are not together in their thousands." Or, on 27th December, 1890, "One day odious capitalism from above and the hungry urge from below will crash into one another like two expresses on the same line," and the consequences which he draws on 1st May, 1881, "I feel it in my bones that something is going to happen in the West once Russia has been really upset by further developments in Power Politics. Then we shall experience an epoch when every stage of muddle must be gone through until at length from the measureless play of forces a genuine power will arise which will make short work with voting rights, sovereignty of the people, material wellbeing, industry, etc., and will stand upon small ceremony. For this will be the inevitable end of the State based on the rule of law once it has succumbed to mere numbers and the consequences." And on the 24th July, 1889, we have the well-known sentence, "My mental picture of those terrible *simplificateurs* who will one day descend upon our old Europe is not an agreeable one. In my imagination I can visualise these ruffians in the flesh before my eyes and will describe them to you when we are having our pint together in September."

#### CONGESTION AND REGIMENTATION

Upon what have these several prophets been pondering and what has really taken place? Probably it is John Stuart Mill who has made the most correct diagnosis and who most nearly approaches us when today we speak of mass civilisation and congestion in expressing the idea of the individual being absorbed ever more in an amorphous mass. We mean by this that society in so far as it has moved in this direction has lost its horizontal as well as its vertical structure and has succumbed to a process of trituration, decomposition and dissolution which has converted it into a mere sandheap of individuals. These individual grains of sand are now being wafted haphazard and mechanically into

heaps, the masses of the big cities, of the "great public," of the industrial centres, of the "million corporation" or "union", mass parties, mass plebiscites; beings devoid of any real inner solidarity and any roots or connection with social standing and milieu, without a genuine sense of community and without leadership on the part of a real and responsible authority standing above the mass. A society of this kind consisting of disconnected individuals dissolving and yet agglomerating has lost the inner and organic character of the genuine and spontaneous community, and the more it is lacking in a firm homogeneity the more will it be held rigidly together by the rivets of the modern bureaucratic and centralist state. A state which would transform the individual into a tiny wheel of an ever more complicated cogwheel whilst leaving individuals spiritually more separated from each other than ever before.

If one would like to have a clear picture of this complicated process one might do worse than recollect the experience of the farmers during recent years in the Middle West of America, in the so-called "Dust-Bowl" which, through exhaustion of the soil, the forcing of nature and the destruction of soil reserves cheerfully done in the name of "progress," has become a horrible symbol of our society. Just like those farmers, only for the past hundred years, we have been pursuing a policy of soil exhaustion and indeed with the secret organic reserves of society and thus we have reaped a similar harvest. The structure has been destroyed, society has been changed into an amorphous heap of sand which, like the dust of the "Bowl" whirls about in the storm and is liable to bury everything once the humus has been dissipated through erosion. In specific countries, the totalitarian, the naked rocks had already exposed themselves to our sight, nor is this state of affairs much better in other countries. The title of Steinbeck's American novel, "The Grapes of Wrath," indicates for us what we are in the process of reaping.

Enough of pictures. Let us try to make matters clear by taking for our example the sociological state of affairs appertaining to the simplest and most genuine of communities, the Family; an institution which derives from monogamic marriage and which is the original and imperishable basis of every higher community. This will reveal that a genuine community must possess not only a firm horizontal but also a vertical structure, one which places the members of the family not only upon an equal footing (parents with each other, brothers and sisters with each other) but also in a relationship directed from above and also looking up (parents and children and vice versa). Thus the relationship of parents to each other depends not only upon their direct but no less upon their indirect connection through their children,

namely a vertical one. Hence the community of brothers and sisters results from their naturally inferior position to their parents and their position of natural equality to one another, a double relationship which explains the whole happiness and the whole warmth as well as the inevitable tensions of this tiny community of the Family. This simple example can be of use when applied to the case of wider human associations by teaching us that a true sense of community does not depend only upon a horizontal line of individual to individual but is comparable with an arch of which the upper part holds together also the lower parts, just as these support the upper. It is no mere *co-ordination*, but also *sub-* and *super-ordination*. A community is thus never two dimensional but three. It is of necessity pyramidal and hierarchical in a sense which can no longer be misunderstood or misinterpreted as a relationship involving oppression and arbitrary force.

The decay of occidental society is fundamentally nothing but the collapse of this arch, *the crumbling of this three dimensional structure* and hence the continuous dissolution of all genuine community feeling. The resultant *simple aggregation of individuals dependent now upon themselves alone* is what we mean by "*Vermassung*" (Congestion—regimentation Tr.). It is the *levelling down of the social pyramid*, its *atomisation* and therewith the intrinsic clumping together of individuals. These individuals who have been blown out of their community are finding themselves exposed to a chaotic lack of any relationship to anything and are becoming lost nomadic herds who no longer know where they belong, what their place in society is, and they have become more and more divorced from the ties of family, occupation, neighbourhood, nature and society.

This deterioration of society is accompanied by processes of decay and dissolution in the spiritual and moral spheres, in the soul of each individual, in his upbringing and development, even in the family, in the manner in which he is taught, in his ethical outlook, in science and art, and in the regions of the imponderable things of spiritual values, belief and reverence. Hand in hand with the disruption of the Family—"le seul remède contre la mort" (H. Taine)—goes the loss of a sense of "generations," so that the individual loses not only his sense of direction in living society but also his sense of the continuity of time and the relationship of the dead to the living and the living to their successors. A state of affairs to which the words of Burke are not inappropriate, namely, that those who never reflect on their ancestors will pay small heed to their descendants.

In families which lack all productive and unifying activities, in which there is neither communal gardening by day nor communal



handicraft during the evenings, and where as a result the most natural opportunity for introducing the children into the business of life is lacking, in which the children are without the formative influences of a neighbouring community or a proper appreciation of nature, upbringing must essentially become a perpetually discussed and virtually insoluble problem. The more the members of the family—parents no less than elder brothers and sisters—cease to act as the natural teachers and upbringers of their children so much the more will these duties be pushed on to schools. But since a school is not the appropriate place for this task we are now witnessing the thoroughly familiar “school problem” of our days. A problem discussed *ad nauseam* and the subject of endless pedagogic experiments and which has been only accentuated to an intolerable extent by the overgrowth of examinations and narrow-sighted methods of teaching—not to mention specific failings of school methods amongst the higher schools in particular. To this chapter belongs also the subject of the dying out of families possessing roots to which we have already referred in the previous chapter but one. All these things came to a final head in those countries where the children are brought up on the prevailing national ideology and are being sacrificed in this way to the collectivist principle of up-bringing in a veritable cult of Baal.

Simultaneously by means of a wrongly directed democratisation of intellectual life and of a universal technical, scientific and utilitarian education at the expense of an historical, philosophical and literary one, the cultural pyramid has been levelled in a manner which will be familiar to readers of Ortega y Gasset’s “Revolt of the Masses” and with results which are apparent to all, namely, a shocking shallowness and brutalisation of outlook, a lack of respect for others or themselves, a general wish to interfere in what is not one’s business, claims on the part of the mass to push their way into every intellectual and spiritual corner and the creation of an intellectual proletariat, the most explosive dynamite for any society whatsoever. Humanistic education upon which European culture depends and which, owing to various renaissances somehow managed to survive throughout the ages, seems at the present time definitely to be in question.

One cannot really properly understand all these happenings unless one takes into account the swamping effect of the incredible increase of population throughout the world during the nineteenth and twentieth centuries. Both extent and tempo of this increase bred a quantitative mass effect to which the structure of society and its power to assimilate culturally the additional millions were bound to succumb. “Each fresh generation is akin to an influx of little barbarians ; if their

parents will not undertake to tame them by education disaster is inevitable." (Le Play). Now since this increase in population took place largely in circumstances and amongst classes in which this taming, i.e., cultural assimilation was less and less successful, we have been obliged in effect to experience a barbarian invasion out of the lap of our own nation. Perhaps Goethe foresaw this when he declared :

One likes to see the people multiply,  
And in their wise with comfort fed—  
Developed even taught, well-bred,  
Yet one has only when all's said  
The sum of rebel thus augmented.  
(*Faust*, II, 4 trans., Oxford Classics).

This tremendous and historically unique increase of population during the last hundred years has surely been no blessing, and a stabilisation of population will sooner or later not only be necessary but will represent an indispensable prerequisite of the restoration to health of our society from the evil effects of congestion. In recognising this one must not be misled by the fact that the present decrease in the birthrate is doubtless a particularly striking symptom of the present spiritual, moral and social crisis both in its causes and motives. Both views are perfectly compatible with one another. One has only to reflect that this decrease in the birth rate is, as is well known, taking place very unevenly in the various classes, and that the number of three children is wholly sufficient for a healthy and normal family life and in no way opposes the stabilisation of the population.

How greatly this estrangement from the community and from nature which modern mass formation brings with it, runs counter to the deepest feelings and instincts of mankind is shown by the reassuring fact that humanity in these circumstances feels extremely unhappy, thereby demonstrating their pathological character. Man's reaction expresses lack of something which is indispensable to a human being, namely natural integration and roots. Without necessarily always thinking about it he is none the less conscious of a profound emptiness in his existence and a hunger for embodiment in something, for integration. This hunger mankind endeavours to stifle by means of every possible substitute and above all with narcotics of every kind (here we are hitting upon an aspect of congestion which is not always clearly recognised), the cinema, radio, ideologies and programmes, plans for making the world happier, mass movements, marchings, drills, fashions, and follies of the moment, mass sports, Messianism, and at its worst, nationalism with its class and racial hatreds, revolution and war. Hence the unrest, neurasthenia, and the political excitability,

the sterile impulsiveness, anxiety, demagoguery, and political passion, the deliberate cult of the Colossal and the futile activity, the dread of being alone with oneself.

Thus much becomes clearer. We conceive war as the intoxication of masses who are lacking integration and in a sense of purpose in life, from which we may conclude that an effective combating of the war mentality presupposes an "unmassing"—a decongestion of people and their rediscovery of an appropriate form of existence. We can now explain why in conjunction with pure love of speed for speed's sake a cult exists which betrays itself by its vocabulary—"Tempo" (incidentally the title of a Fascist propaganda paper) "on the dot," "streamlined" (in all seriousness one estimated Fascism by the punctuality of the Italian railways). To this phenomenon also belongs the "I haven't got any time" style of life, which leads one to compare the previous generation sitting peacefully in winter round the family table creating the delightful peasant works of art so pleasing to the contemporary world, with the distractions of today, dawdling round a wireless set or rushing about restlessly from one thing to another without deriving any pleasure therefrom. It would seem indeed that the notorious decay of the Oriental rug industry bears a close connection with the tempo of the West, and that here as elsewhere we are today witnessing the last of something which has endured for hundreds of years. Thus also the old French peasant to whom Gustave Thibon had lent Hesiod's "Works and Days," hit the bull's eye in making this remark as he returned the book, "C'est étrange, mais les mœurs, les usages, la mentalité de nos agriculteurs d'il y a 50 ans étaient presque semblables à celles de ces paysans grecs d'il y a trois mille ans. Tout a changé depuis 50 ans seulement." And the worst of it is that there are still enough fools who regard this breach with the old healthy type of existence as progress.

Lastly it is becoming plain that the cry for "programmes," "plans," "ideologies," and "myths" and all this thinking in "isms" are thoroughly adapted to a state of congestion and regimentation, whereas our aim is to achieve a state of society by means of decongestion and deproletarianisation in which these developments would be as inappropriate and superfluous as in a village community. Now the collectivist state can be conceived as an ideocratic state in which the phenomenon of congestion attains its highest peak.

#### PROLETARIANISATION

Closely connected but in no wise identical with all this congestion and regimentation is that pathological process which we designate proletarianisation, and indeed in its widest material as well as immaterial

sense of uprooting, nomadisation and finally that anonymous and impersonal collectivist social services mechanism. That this is one of the very worst sins of our western society, and that it is a prime duty to rescue the proletariat from a type of existence wholly unsuited to human beings and to assimilate this body with the rest of the nation and thus make citizens of them is an unassailable truth. Probably there are even now people who are unconscious of the full weight of this crime against society, its true nature and the far-reaching consequences it involves. Many still believe that the wretchedness of the proletariat is due to insufficient wages and too long hours of work. From this they draw the conclusion that it is merely a simple matter of material standards of life which can be settled only by means of higher wages and shorter working hours. The majority of measures of traditional social policy are directed solely toward this end, i.e., the English "Beveridge Plan" which has led to a certain superficial jubilation not only does not depart from this line but even pursues it to its utmost limit. This point of view does but illustrate the blindness with which some people view the material things in life as the most important and neglect the deeper lying problems of human nature.

And there are others who seem so accustomed to the proletarianisation of society that the thought scarcely enters their heads that this state of affairs should or can be changed. These people only prove how short our memory is when we maintain that so it must be and that there is no alternative. How many of us today can recall to mind how the "little man" of our early youth forty or fifty years ago passed his day amidst the unspoilt, simple and well-balanced atmosphere outside the big city and industrialist district? Or the sense of citizenship possessed by the workers even in industrial centres during the youth of our parents: "How green was my valley" might well serve as the title for the recollections of the childhood of more than one of us as we call to mind the unproletarian conditions of a generation ago, in which work people lived in the greater part of Europe. One might go further back into the past and study the description published by the great French sociologist, Le Play, about the middle of the last century, in his book "Les ouvriers européens." And it may be remembered that it was Jefferson's nightmare that the peasants and workers who comprised the population of the United States of America at the end of the eighteenth century would become changed one day into a propertyless and nomadic proletariat on the one hand and a capitalistic plutocracy on the other. This nightmare has come true within three generations. And what can one say to Le Play's remark in 1880 that the "*facilités d'établissement que présentent les foyers pris en location*" represent a "*désordre social*"?

It is appalling to think of the tearing speed with which this process of proletarianisation has been taking place everywhere and going hand in hand with technical progress in big business, with the uncanny growth of big cities and industrial areas, with the depopulation of the open countryside owing to measures inimical to the peasants, and with that increase in population with the unfortunate results of which we are already only too familiar. This proletarian existence which is rapidly becoming the destiny of human beings and which must be regarded as a type of life, of work and of habitat wholly unsuited to human beings, represents a pathological state of affairs which has never been witnessed in our history before to the same extent. Although this is not yet the predominant situation even in the large industrial countries, at least, apart from the collectivist nations, it has given its stamp more and more to our whole civilisation. However, this deterioration has affected individual countries to a very varying extent. Some countries like England and the United States are threatened in a high degree, whereas others like Switzerland can be looked upon as "slight" cases. We should consider those countries as rabidly proletarianised in which the disappearance of the country folk and craftsmanship, the spread of giant works and the concentration of property have all led to a large part of the population becoming dependant, propertyless, urbanised wage-earners and made to fit into the hierarchy of the commercial and industrial mammoth concern. Let us not forget that every destruction of an independant existence no matter how low the standards of life may happen to be, represents a furtherance of proletarianisation. And it is even more important that we should not forget that socialism of whatever shade represents but the utmost fulfilment of this process, and indeed doubly so, in that the appropriate ideology springs from it and simultaneously leads it on to its final result, which fact helps to explain why the individual socialist—at least on the continent—welcomes proletarianisation and evinces nothing but disgust for the notion of making citizens of the Proletariat, i.e., for their metamorphosis.

We know well how deeply we err if we maintain that proletarianisation is a natural process, that things could not have been otherwise and that there is no alternative. Who and whatever must be held responsible, let it suffice that in recent generations, and in a manner as yet unrealised by many, whole masses have been torn away from the anchor of property, with the result that these people are living from hand to mouth, that they—and fundamentally this applies to all of us including we economists—have become accustomed to think almost exclusively in terms of money income, and indeed together with their property they have lost their conception of it as a category of impor-

tance and desirability for human beings ; that with comprehensible energy substitutes for security and for existence are being sought which previously long-term working conditions, property, savings, self-help, professional and family solidarity would have guaranteed ; and lastly that this substitute has now apparently been found in the modern government with its social services and in its impersonal and mechanical solidarity of mass.

The proletariat is lacking in precisely that which characterises the peasants and the craftsmen, wholly apart from the purely material aspects of life ; the independence and autonomy of their whole existence, their roots in home, property, environment, family and occupation ; the personal character and the traditions of their work. Thus it is becoming clear to us that what the proletariat lacks is at bottom that form of existence which is appropriate for human beings and which affords us the kind of satisfaction that we experience when we live in harmony with those deeper forces of our nature and of which we are barely conscious. Proletarianisation means nothing less than that human beings have got into a highly dangerous sociological and anthropological state which is characterised by lack of property, lack of reserves of every kind (including the ties of family and neighbourhood), by economic servitude, uprooting, massed living quarters, militarisation of work, by estrangement from nature and by the mechanisation of productive activity ; in short, by a general devitalisation and loss of personality.

Life consists in the short rhythm of the weekly pay-day. It is an existence which has been torn from its firm anchorage, namely, property, the warmth of community, natural surroundings and the family.

At the same time, work instead of being a satisfaction and fulfilment of life becomes a mere means and the hours spent at work a mere liability, whereas normally these ought to represent an asset in the balance-sheet of life. Compensation for this state of affairs is sought all the more eagerly in consumption, but more often than not this means compensation in pleasures and distractions which are no less mechanical and void than the work. This floating humanity, the modern nomads as may well be understood—feel an intense longing for something which must be lacking to a great extent in such an existence, i.e., security and stability.

Congestion, regimentation, proletarianisation, collectivisation and the disappearance of the little properties of the masses, who incidentally are being continually recruited afresh from the crumbling middle classes, all these are discharged like a river into a mass delta, ordered, led and always further financed by the state, and in conjunction with the

state together with its apparatus for taxation and "social services," produce a society which is drying up individuality in favour of collectivism and which is finally reducing human beings to the level of state slaves. (Although we may well query whether they will even be well fattened ones!). This collectivism triumphing over the proletarianised mass and entangling the individual by promises of "Bread and Circuses" presages a future blacker than anything one can depict to those who cherish free personality as the highest and ultimate aim of life and who have carried it as an obvious ideal into this "Brave New World." But the worst thing is that the collectivist mass state eventually so degrades and dehumanises individuals that they even forget this ideal and have no further recollection of those conditions which apply to decent and genuine humanity.

What is so specially uncanny about the whole process is that like a fire, it wants to consume always more: *crescit eundo*. The wider the span of proletarianisation the wilder become the cravings of the uprooted to be guaranteed social services and economic security by the state, the more do the few remaining in possession of a sense of responsibility despair, all the more stringently is the greater part of the national income claimed for and directed by the state; the more oppressive becomes the burden of taxation, a burden heavy enough already and one made all the worse through war, revolution, and public spending, and which will of course have to be extracted predominantly from the pockets of the middle classes. The further these latter coalesce with the proletariat so much the smaller will become the number of small and medium existences which incidentally are in a position to offer the proletariat as employers an alternative to the prevailing giant undertakings, and the less will it be possible to halt the movement of economic concentration with its eventually insoluble economic, social and human problems. And lastly (and ironically) the feeling of everybody that all this is pathological, dire and wholly unnecessary will become blunted.

Once this path has been followed there is no reason why ever further demands for guaranteed social services and security should not be made, the extent and amount of these services constantly increase, and therefore with the social insurance premiums and state contributions permanently raised. There is no reason to foresee that this process is likely to stop, since this apparatus of insurance and social services is nothing other than a thirst-creating substitute for the anchor of property and can never lead to the real satisfaction of the needs of the unhappy victims of proletarianisation. The total burden will become ever more oppressive, the burden of taxation ever harder and more embittering, the apparatus ever more unwieldy, and the social bureaucracy ever

more numerous. Any bits coming to the individual out of the national hotch-pot will become ever more subject to formulae, tickets, reportings on and off, income-tax forms, etc. ; the hair-spring of a sense of responsibility cum self-respect which keeps the whole thing going will become ever weaker, the whole economic process will function more and more clumsily, its defects will increase and become ever more tiresome ; all in all enough to increase the individual's sense of insecurity and also to put up his demands. The only possible end to all this would seem to be complete catastrophe for nation and society, nor need we go back for examples to the latter period of the Roman Empire. They lie close at hand, one of them being Germany.

It is part of the perpetually increasing deterioration in this process of disease, that, simultaneously with the blunting of the masses with regard to their own circumstances whose victims they have become, the task of the critic is becoming always more difficult and thankless. He exposes himself more and more not only to the danger of being misunderstood but also of incurring the furious hostility of those who are blind to the danger and who will compete with one another in holding him up to general contempt as the blackest reactionary and narrow advocate of the interests of property, whereas his peculiarity lies merely in being able to see further than they and in his ideas and demands being far more radical than even theirs are. It will not be long before he will have his mouth shut. Now the soundness or otherwise of a nation can be deduced largely from the degree in which critics can still count upon getting a hearing from a respectable section of public opinion, or the extent to which the population allow themselves to be carried away by mass security plans.

A particularly good opportunity for observing this and putting our own position to the test has quite recently offered itself in that radical English plan for social security which goes by the name of that most eminent English social philosopher, Sir William Beveridge.

This "Beveridge Plan" is nothing but the conscientious and extremely logical execution of the old principle of social insurance and social services. It is simply what emerges when an intelligent man experienced in the technicalities of administration and informed as to the sources of distress in modern industrial countries takes his slide rule and works out a system of claims and counterclaims, services and payments in such a way that every man so to speak, supports every other whether insured, employer or taxpayer, and each is supported by each. It is a gigantic machine for pumping the national income about, described in the Beveridge report on three hundred closely printed pages and with its highly complicated system of pipes, screws and valves and supplied with the most confusing "directions for use."



It is the boldest "pooling" of the national income for the purpose of its distribution in accordance with requirements that has yet been proposed in a non-communist nation. But it is at the same time something which sooner or later was bound to come once the thought, embodied in social insurance, of compulsory mass solidarity and of substitutes for property had been generally accepted. It is the extreme logical result of a proletarianised society, which in its turn will give a powerful impulse to further proletarianisation, so that in a short while even this step will appear not sufficiently bold and will have to be replaced by a still bolder one.

Whilst we cannot take this opportunity of going into the many detailed questions of social insurance suggested by the Beveridge Plan we must first enquire what such a comprehensive system of services and machinery for pumping income about will signify for the national economy as a whole (including the governmental finances). What are the costs? How heavy is the load? And what are the consequences for the whole economic process likely to be? A comprehensive answer to these questions would require an exhaustive analysis which cannot be compressed within the compass of this book. We can draw attention only to the following points.

1. It is clear to the author of the plan that it is not possible by a simple calculation of contributions and payments to guarantee the total security aimed at reckoned in goods. It is a question of a gigantic mechanism for a reshuffling of the national income which presupposes a corresponding amount in goods to be shared. This implies amongst other things that the amount of money involved in the calculation shall not suffer in its purchasing power through a rise in prices. It implies further that there must be income surpluses available in sufficient quantity for taxation. Now in point of fact such surpluses are to be found in the pockets of the rich to a far smaller extent than is popularly imagined, firstly because the total sum of large incomes in proportion to small is constantly overestimated, and secondly because the existing burden of taxation in the largely proletarianised industrial countries is already effecting a far-reaching levelling-down of the income pyramid and so there is not much left over of this reserve for distribution. Hence it follows that the Beveridge Plan must look to a balance of income from the small incomes of the masses, which fact was expressly recognised by its author (No. 449 of the Report). As regards compulsory saving on the part of the working classes themselves, as in Germany, a measure the social character and precise objects of which require elucidation, it is difficult to understand why one should not stick to the sound plan of better paid young workers of both sexes who have not families, putting money by for

starting a family and for times of depressed wages on their own initiative. Alas the unexampled extent to which during the war the *expenditure of nations* and the corresponding *taxation and national indebtedness* could be driven has contributed to the most dangerous opinion that what has been possible in the immediate past can be continued also in times of peace. This boundless optimism is represented by the abundance of projects for raising the standards of life from the national coffers which has been promised to the people after this most devastating of all wars. Now it is of course true that the war has demonstrated the extent to which state expenditure can rise without obvious inflation, but nothing could be more short-sighted or fatal than to overlook the exceptional circumstances—which are not likely to be repeated—in which such an increase in expenditure was possible. This was only possible :

- (a) by compromising the current requirements of the people (national real income) in a way which would become intolerable in the long run and
- (b) by using up capital now at the expense of future productivity (i.e., laying hands on national real property).

The uncounted billions which the nations have been spending during the war are no criteria of what peace-time budgets can afford. On the contrary, they are an indication that for some years people will not be in a position to purchase shirts, cooking utensils, nails, or furniture. What is more, that they will be obliged to consume their seed corn, their capital in other words. The incredible war expenditure of today is thus a reflex of an unheard of pauperisation which cannot be continued. The disappearance of real property is diminishing the nation's ability to tax in future and ruining national credit. As an English industrialist recently expressed the matter drastically : "The railings around your front garden cannot be taken twice." To those who are always referring bitterly to the vast sums which are spent in wartime on defence measures whereas in times of peace the point of view of the importance of saving is the one which is so constantly emphasised, and to those who draw the conclusion that once war is over one need not worry any more about financial demands on the part of the nation, the true state of affairs can be made plain in another way. They must be told that nations, if they are wise, will behave like a private individual who, with an eye to the uncertainties of the future manages his affairs economically, and instead of living up to the hilt and incurring debts, makes his income suffice and also puts something by. But let us now suppose that he is suddenly seized by a dangerous and tedious illness which obliges him not only to limit his ordinary expenditure to the utmost but also to use up his savings and make debts. Now the

people about whom we have been talking are behaving just like the children of our invalid who, because they have noticed his exceptional and heavy expenditure on doctors, nurses, medicine, etc., are now reproaching him for his earlier economical way of living and demanding that after he is restored to health he shall permanently hand over to them what he is now having to pay out in "unproductive" expenditure.

2. It is a naïve answer to these several problems that the expenses of social services have got to be met somehow or other and that it is silly to talk of the "burden" of the social services. Naturally people ought not to be allowed to starve, but it does not follow from this, in order that everybody should be satiated, the State must guarantee this. This would mean destroying the whole complicated system of psychological reactions which strives by means of the exertion of all one's powers so to arrange matters that there shall indeed be enough to satisfy people (including of course the setting up of institutions for such services and insurances as may be compatible with a sense of responsibility and with personal initiative and energy). Unfortunately in point of fact there is only too good reason to fear that a plan for social services as radical as that proposed in the Beveridge Report, on account of its economic repercussions (increase in costs, its crippling of initiative, its restraints on production, diminution of elasticity, over-taxation and its unfavourable influence on the formation of capital) will still further reduce the already intrinsically none-too-large volume of divisible goods. To the light-hearted assurance that it represents "only a small percentage of the national income" it can be replied, and with the experiences of Germany to substantiate this, that a system of social services of this nature can in no circumstances be "neutral" but is bound to become a weighty causal factor in economic life in a highly dubious sense, particularly so when it is far more radical than the earlier example of Germany. It occasions high costs which prejudice the economic system as a whole both as regards its productivity and its adaptability so that ironically it tends but to increase the difficulties which it is supposed to be diminishing. Further, such a system will favour the mechanised and highly capitalised big concern vis-à-vis the small and medium business, which will then be handicapped by its larger per capita contributions (the smaller firms employing relatively more workers). This was the case in Germany after 1918 and in France later during the régime of the "Front Populaire." Thus a social policy of this sort leads us into a vicious circle. It is supposed to ameliorate the consequences of proletarianisation but only furthers these, and thus reveals itself as a mere palliative.

3. The Beveridge Plan is a system of social services which suffers

from being an *arithmetical and statistical conception* whereas today all depends upon a functional dynamic view which, owing to the severe functional disturbances of our economic system—disturbances which interfere with production—concentrates upon increased production, improvement of function, increased elasticity and a more pliable adaptability. Just because our economic system has become ever more static and clumsy through monopolistic freezing of markets, the anarchy of groups and parties, and collectivist encroachment on the part of the state, and has thus become ever more exposed to disturbances in equilibrium, the poverty engendered by the war renders it all the more necessary that our economic system should function with redoubled buoyancy and energy. If it were possible to solve these great structural problems fairly well then the social difficulties would improve of themselves to a great extent. Here then lie the specific tasks of the economic and social reforms of our day, but a Beveridge Plan is much more likely not only to deviate from them but furthermore to place serious obstacles in their path. The proper course consists in raising the general well-being by means of a gradual and necessary reform of our economic structure, and in harnessing all the forces of production and capital, and then regarding what still remains to be done in the sphere of social services, insurances, etc., predominantly from this point of view.

But this task can only be successful and viewed in its proper, that is to say anything but reactionary perspective, if we return to the problem from which we started and which overshadows everything else, namely, proletarianisation ; the very problem which gave rise to modern social insurance and social services. The Beveridge Plan must be judged from this point of view. The decisive question remains ; can the modern system of mechanical compulsory mass insurance and mass social services offer a substitute for the dreariness of existence which proletarianisation brings with it, for lack of property, the lack of reserves of every sort, for material and immaterial uprooting ? The answer can only be a decisive “No !” Only a “substitute” in the worst sense of this ominous word, a surrogate as insipid as saccharine can be anticipated here, nay worse, an expedient which aggravates that undermining of individual existence, which is characteristic of proletarianism and which pushes the real cure, namely the de-proletarianisation of society, always further into the distant future. It is nothing else but the *vieux jeu* of Bismarckian social policy in *fortissimo* which is now being played with the utmost obstinacy and without the slightest idea of anything else. *Still more social insurance, a still larger social bureaucracy, still more of pushing incomes about hither and thither, yet more labels and more stamps, yet further concentration of power*

*national income and responsibility in the hands of the State which is seeking to encompass, regulate, concentrate and control everything, and all this with the certainty of not effecting any solution of the problem of proletarianisation but of achieving the destruction of the middle classes and thus adding still further to the centralised and state manufactured proletariat.*

So we reach the conclusion that the Beveridge Report, together with all its supporters, is bringing to the surface the catastrophic social blindness of certain circles to the specific problem of our times, one which has been awaiting a solution for half a century. As the example of such clear-sighted thinkers as Chesterton, Hilaire Belloc, G. Briefs and Michael Roberts shows, it would certainly be false to regard this blindness as a peculiarity of the Anglo-Saxon world. If one nevertheless refers to the English origin of the Beveridge Plan and to the strong echo on the part of public opinion occasioned, one can at least take the mitigating circumstances into account here that a nation which, thanks to feudalism and a type of capitalism already burdened thereby, has become already so proletarianised as England, of necessity must more or less have lost the feeling for these things. Thus the Beveridge Plan can in the final instance only be understood from the highly pathological character of the English social structure, but it is difficult to see why other healthier countries should wish to try and copy England's feudal example.

However, if we criticise the plan as being a mere "substitute" and as a "radical palliative only," we cannot take the responsibility of such an attitude unless, far from any reactionary attitude, we not only equal the authors and supporters of the plan as regards insight into the nature of the malady or in a radical will to put matters right, but even surpass them in this. We shall do so by stating that in the long run the problem of the proletariat in the end leaves us only two courses :

1. Either we all become proletarians whether by a revolution overnight (as in Russia) or by stages (as in most other countries) or
2. We convert the proletariat into owners of property and effect that which the Papal Encyclical "Quadragesimo Anno" strikingly designates as the "redemptio proletariorum."

The Beveridge Plan is a tremendous step in the first direction but one can only decline to pursue it if one is determined to follow the other path undeterred by its length and difficulty or by the shortsighted impatience of those who find our method not spectacular enough and would rather rely on an illusory rapid cure. He who does not find the ideal of "comfortable stall fattening" sufficiently attractive must be our fellow traveller and also understand why our programme (more

of this in the next chapter) can be no plan with rigid and precise details, and why it flows over into the general questions of economic and social reform, to which this and my book, "The Contemporary Social Crisis" are devoted. But we must still clearly point out that we must act like a conscientious doctor who while drawing up a long-term and complicated plan of cure with due regard to all possible alternatives, is nevertheless simultaneously administering effective palliatives. This is a perfect analogy for the task we have set ourselves. Keeping our eyes on our final aim (deproletarianisation) we must carry out a short-dated policy of amelioration so long as a numerous proletariat with its urgent problems of maintenance and uprooting exists. Here traditional social policy has a place, but even here our thoughts must be guided by a glance towards our final objective. Only with a simultaneous glance at both the nearer provisional and the further final aim will the right solutions be found to the problems of social insurance and social services.

A project like the Beveridge Plan would seem to leave the way open to only two fundamental judgments; its acceptance or its simple rejection. One might be prepared to *accept* it from noble motives if warmed at the thought of the social and political progress it promises, or because one hoped that capitalism might be secured thereby against revolutionary upheavals. On the other hand, one might be prepared to reject the plan because it is inimicable to change. Both reactions are equally untenable and probably disastrous because they both mistake the fundamental evil. In this way the legitimate desire for security cannot be satisfied—or not without severe damage to society—and it cannot be expected that the eccentric combination of the market economy with a proletariat, which we designate "Capitalism," can last much longer. Bearing this in view and in the determination to be active and get beyond this "Either—Or" attitude of mind, the philosophy of the "Third alternative" proves once more its validity.

As regards the points of view of the *socialists* who would redeem the proletariat by doing away with private property and substituting national property, we assume that our readers scarcely require to have it pointed out to them that the above is a gross deception which can but tempt the proletariat along a path which must lead to a very much worse state of affairs, for the proletariat themselves. One has only to consider for a moment what these words "National Property" imply even if we replace it by the better sounding word "common property": terrific concentration of power in the hands of the State, that is to say of the group which happened to be in power, which would destroy the last remnants of independence and liberty, of feelings of responsibility and self-interest, and would thus but strengthen all the

characteristics of proletarianism and indeed for everyone outside the charmed circle of governors who, in the protective fog of socialist phrases about "common property," the "wellbeing of the nation," the "democracy of the working classes," or the "community of the people," would dispose of the national wealth just like a private land-owner, and thus in the name of the abolition of private property would have effected the greatest possible concentration of private property one can conceive—until the next revolution. To all intents and purposes, this dictator of the collectivist State will be only a modernized version of the Inka of ancient Peru.

Socialist thought ends in the above paradox. Thought which took for its justification the misuse of private property through the impersonal big property of the "capitalist" era but which then went astray when it evaded the fact that property—fundamentally there is only private property—is a necessary attribute of personal freedom. The trouble was that the concentration of property went hand in hand with the continuous increase of the propertyless masses. But surely what an odd point of view to hope to render this state of affairs more bearable by driving the process of property concentration to its utmost limit under the banner of "common property" rather than doing away with this concentration by decentralising property! Have the gentlemen of this persuasion never considered that not even the largest public park can take the place of the smallest privately possessed garden? Any workman getting his salad and his roses out of his own little suburban garden could have taught them this.

---

## NOTES

### 1. (P. 133) *Mass Parties*.

It is futile to deny that those mass parties of the type inaugurated and developed by the social democratic movement in the less democratic nations of Europe are thoroughly in accordance with congestion and regimentation, with their May Day processions, rigid organisation, their hierarchical form, with their party myth, their party hymn, and their total command and control over the proletariat, from workers' singing and gymnastic clubs to the "block dwellings" erected by the Socialist City Council of Vienna for this purpose. Here is foreshadowed everything which later developed into full-blooded Fascism, Communism, and National Socialism, minus the concessions to liberalism which accompanied social democracy. See in this connection G. Perticone, "Studi sul régime di massa," Milan, 1942, p. 27 ff.

### 2. (P. 133) *The Horizontal and the Vertical Structure of Society*.

In these and many other points I am much indebted to my friend Alexander Rüstow (Professor at the University of Istanbul) for his stimulating suggestions.

Until his anxiously awaited and comprehensive book on the cultural crisis of our time appears, some short comments by him on the pyramidal form of society are available. "Compte-Rendu des Séances du Colloque Lippman," Paris, 1938, p. 77 ff. Since *Ortega y Gasset* undertook for the first time a serious analysis of mass society and massed peoples, *G. Perticone* has recently produced a most valuable and penetrating contribution, particularly in his analysis of congestion and regimentation from the point of view of ethics, and of its political effects. The sociological analysis is kept in the background. *Gustave Thibon* is also worth consulting. (Especially "Diagnostics, Essai de physiologie social," Paris, 1940. "Retour au réel," Lyons, 1943). Let us add that the nefarious process of congestion and regimentation ("massing") has been well described already by *Hippolyte Taine* who wrote in 1891: "Elle-même, cette puissance centrale, n'a sous la main, pour recevoir ses impulsions, qu'un corps social approuvi, inerte et flasque, capable seulement de spasmes intermittents ou de raidissements artificiels sur commande, un organisme privé de ses organes secondaires, simplifié à l'excès, d'espèce inférieure ou dégradée, un peuple qui n'est plus qu'une somme arithmétique d'unités désagrégées et juxtaposées; bref, une poussière ou une boue humaine." ("Les origines de la France contemporaine, Le régime moderne," vol. i, Paris, 1891, p. 154).

### 3. (P. 134) *Withering of Family Life.*

In the environment of modern urban life the question of servants, as those of education and family life, is becoming an ever more insoluble one and will assume an acute form once the rural and patriarchal recruiting ground has been exhausted. The true moral content of this problem has been strikingly discussed already by *Ruskin* in 1862 and in a way which is still valid today ("Unto this Last," vol. i). As regard the rôle of the family and descent, Europeans would do well to study a culture as mature and well-balanced as that of China; see *Lin T-sin-sen*, "Family life in China," Erlenbach-Zürich, 1943.

### 4. (P. 134) *Levelling down of the Cultural Pyramid.*

Since *Schopenhauer* expressed his disgust in forceful language at the disappearance of the knowledge of Latin and energetically protested against the request that his quotations from the Latin should be translated, we have gone so far today that one is almost obliged to apologise for inserting Latin quotations, the translation or knowledge of which one had confidently left to the reader. It is urgently necessary that we should return to and reflect upon the true foundations of our culture, foundations which have lasted more than a thousand years. Just on this account as an author one should make as few concessions as possible. How far we have moved in this respect during the past hundred years the example of a French travel guide book of the year 1836 reveals. "Manuel du voyageur sur les bords du Rhin," Paris, 1836, which I came across the other day contains extensive Latin quotations left untranslated as a matter of course. In this connection a recent expression of opinion on the part of the President of the Rockefeller Foundation (Fosdick) is worth quoting: "Civilisation is easily advanced. Mechanical appliances discovered by one generation are taken over as a matter of course by the succeeding. None the less a deep spiritual culture is not so easily transmitted. It must ever be experienced afresh by each individual, and its inner content and value assimilated . . . thus whereas the apparatus of civilisation is mounting up, spiritual culture halts shockingly behind, but in the end humanity with the tremendous technical achievements of today remains the same old Barbarian who is making use of them. Let us beware of too much civilisation, of too much mechanisation and too many gadgets which surround us in life, which rob us of our time and which encroach upon our privacy. And above all let us beware of the false impression that men, because they know how to drive motorcars, can produce magical effects by pressing buttons or are able to fly in aeroplanes are therefore superior beings." One cannot help feeling anxiety when one considers how rapidly not only the heritage of the ancient classics and other treasures of antiquity but also that minimum of acquaintance



with biblical figures and with classical mythology which was a matter of course fifty years ago is disappearing. It is poor comfort that people to whom the legend of Joseph, the story of Ruth or the adventures of Odysseus or even Grimm's Fairy Stories are unknown, know all about a supercharger. This is all in accordance with Perticone's description of the "heteronomous" character of mass Man (op. cit. p. 66 ff.).

5. (P. 136) *The Neurasthenic Character of Mass Society.*

As a noteworthy attempt to probe the consequences for international relations of this state of affairs we would mention here C. E. Playne, "The Neuroses of Nations," London, 1925. One must also not forget that modern nationalism was born in the hysteria of the French revolution.

6. (P. 142) *The Beveridge Plan.*

The splendid work by the German Catholic Political thinker *Goetz Briefs* entitled, "The Proletariat," and published in New York in 1937 is to be particularly recommended. And that excellent person, *Le Play* had seen rightly when he wrote ("L'organisation du travail," fifth edition, Paris, 1888, p. 140), "Les études faites de nos jours sur les divers régimes du travail offrent une singulière particularité. Elles ne considèrent ni les remèdes propres à la guérison du mal qui règne en beaucoup de lieux, ni les pratiques qui correspondent ailleurs à l'état de santé. Elles traitent exclusivement des palliatifs applicables à un état de malaise qu'on nous signale souvent comme une inévitable conséquence des principes mêmes de l'ordre social. Au nombre des palliatifs qui sont l'indice évident de ce malaise, on doit citer en première ligne les sociétés de secours mutuels et les associations de toute sorte qui remédient, plus ou moins à l'imprévoyance et au dénument." As an effective cure he proposes (op. cit. p. 141 ff.): "1. Permanence des engagements réciproques du patron et de l'ouvrier; (2) Entente complète touchant la fixation du salaire; (3) Alliance des travaux de l'atelier et des industries domestiques, rurales ou manufacturières; (4) Habitudes d'épargne assurant la dignité de la famille et l'établissement de ses rejetons; (5) Union indissoluble entre la famille et son foyer; (6) Respect et protection accordés à la femme." He blames the English for their blindness to the phenomenon of proletarianisation. "Les Anglais, en effet, estiment trop les avantages dus à l'accumulation de la richesse, et ils ne s'inquiètent pas assez des inconvénients attachés à l'accumulation brusque de populations livrées périodiquement au malaise, soumises à une instabilité cruelle, travaillées par des sentiments d'antagonismes inconciliables avec tout ordre social." (Op. cit. p. 184). Indeed the latest stage of this development is the Beveridge Plan.

## CHAPTER VII

### DECONGESTION AND DEPROLETARIANISATION

#### GROUND'S FOR HOPE

Our description of the degeneracy of modern society, due to congestion and proletarianisation, had as its object the display of the mischief in all its urgency. So long as people will not face up to it without illusions there is no hope of a cure, but recovery is well on the way once the diagnosis of the malady has become generally known, when necessity forces even the massed and proletarianised themselves to bring the mass and the proletariat to an end, and the foolish chauffeur sociology which holds up to ridicule the "garden behind the house" dares no longer to raise its head in public. We might well hearken to the words of Demosthenes speaking to the despairing Athenians in the third Philippic: "What has hitherto been of most hurt to us will in the future be of the greatest benefit. How so? Because You did nothing—absolutely nothing—that was required of You and this is why we now find ourselves in this tragic plight. Had You on the other hand accomplished all that was necessary and were matters still as bad as they are now, then indeed there would be no hope of any improvement."

Thus, pessimistic lack of illusions already contains within itself the first and most important germ of hope. And one can also take comfort in the thought that people feel extremely unhappy in the pathological conditions we have described. They are vaguely conscious of lacking something vital to their complete humanity, namely, roots, a sense of being a genuine community, and the satisfaction of "vital" needs not to be expressed in money. The very eccentricities to which these feelings drive the masses reveal that these latter could soon be won over to a policy of decongestion and deproletarianisation once the armour of prejudice and of the mistaken views they cherish about their own position had been pierced.

But just as important is the other circumstance that this disease of the social body has progressed very differently in different countries, and that besides the severe cases of the great industrial countries there are the milder ones, e.g., of Switzerland and Scandinavia. What is more, even in the severe cases congestion and proletarianisation have not necessarily attacked society as a whole. There are still considerable intact portions, the strengthening and furtherance of which might possibly be able to change the whole atmosphere within a surprisingly short time. Almost everywhere are to be found reserves of indepen-

dence, tradition, community feeling and health, even in the United States where still one half of the population live in towns of over five thousand inhabitants and the remaining half can be divided equally into those who live in small towns and villages and those who live in the wide open spaces, where—above all in the Middle West—small independent people have not only maintained a markedly individualistic point of view but have also exerted a strong influence. These qualities must be preserved and multiplied if a rapid start is to be made. As has so often happened in history, the fluctuating balance under the influence of the smallest preponderance of weight will tilt just as readily in the right direction as the wrong, will tend to the elevation or the fall of society. If it be true that nature never makes a jump, discontinuity nevertheless belongs to the laws of development of human society.

#### THE FUNDAMENTALS OF ACTION

There are certainly critics who no longer deny the validity of our diagnosis and who recognise the inner radicalism of our therapeutics but who impatiently enquire of us what our proposals are for an immediate programme. The impatience of the question reveals that those who pose it are still apparently far from understanding the true situation. The sickness of our society is so severe, so all-embracing and so deep-rooted that no programme for a cure exists which we can produce out of a hat and hand over to Parliament to put into effect tomorrow, no Beveridge Plan in which everything is beautifully calculated, and no projects of vast organisation provided with a well thought-out clockwork mechanism. In fact thinking in terms of such plans and programmes belongs, as we have seen, rather to just that atmosphere which itself has been created by congestion and masses. The task of finding a remedy is exceptionally difficult and complex, so much so, that the working out of the details far surpasses the capacity of a single individual and must be dependent upon the co-operation of all who have recognised the urgency of the matter, and who, instead of directing their impatient questions at us, would do better to begin by asking themselves what is to be done. Which means that, armed with full knowledge of the fundamental disease and of the essence of congestion and proletarianisation, one must approach all the detailed questions of economic and social reform; one must fearlessly take account of the hideous development of our circumstances—the big city, the gigantic works, the rootlessness, the propertylessness, the loss of personality, the devitalisation, the estrangement from nature—and no less fearlessly draw the consequences.

It is only right that all these thoughts should occupy every single individual wherever he or she may happen to be, by day and by night,

and torment him or her as much as it does the author of this book and his friends. They are thoughts which are characterised by moving in only one direction; *away* from centralisation in every connection, from all agglomerations, from the city pen and the factory coop, from accumulations of property and power which corrupt the one and proletarianise the other, from the soullessness and lack of dignity of labour through mechanised production and *towards* decentralisation in the widest and most comprehensive sense of the word; to the restoration of property; to a shifting of the social centre of gravity from above downwards; to the organic building-up of society from natural and neighbourly communities in a closed gradation starting with the family through parish and county to the nation; to a corrective for exaggerations in organisation, in specialisation, and in division of labour (with at least a minimum of self-maintenance from one's own soil); to the bringing back of all dimensions and proportions from the colossal to the humanly reasonable; to the development of fresh non-proletarian types of industry, that is to say to forms of industry adapted to peasants and craftsmen; to the natural furtherance of smaller units of factories and undertakings as well as to sociologically healthy forms of life and occupation, approaching as closely as possible that ideal border-line of peasant and craftsman; to the breaking-up of monopolies of every kind and to the struggle against concentrations of businesses and undertakings where and whenever possible; to the breaking-up of the big cities and industrial districts, and to a properly directed country-planning having as its aim a decentralisation of residence and production; to the re-awakening of professional sentiment and to the restoration of the dignity of all honest labour; to the creation of conditions which render possible a healthy family life and a non-artificial manner of bringing up children; to the resurrection of a cultural hierarchy which will put an end to the tumults of ambition and give each rung of the ladder its appropriate place. What we are striving for is nothing other than what Gustave Thibon described as the "société aérée" and the way to this lies through decentralisation.

We are all of us already so much the victims of circumstances which withdraw us from the natural and the real that we have difficulty in calling to mind what is genuine and what is natural, what it is that the simple nature of things and human understanding are claiming. It is precisely the intellectual, the sort of person who is the most likely to write or read a book like this one, who should bear in mind the danger of mere "cleverness" which has lost contact with reality and the power of weighing things up and grasping things as a whole, which is lacking therefore in good sense and represents but another

form of mental limitation. What we must learn is to possess the courage of simplicity and a feeling for what lies immediately ahead, what is fruitful and natural, if we are to grasp things in their deeper connection and their full significance. We could name quite a number of intellectuals who might well feel ashamed in the presence of the simple humanity of an English soldier whose voice we heard during the war in a midnight broadcast from London and who, asked about his ideas about things after the war, openly confessed that he was not anxious to die for communal kitchens or massed democracy, but for a small home of his own with a garden, for a decent family life, for a simple and stable existence and for a humanistic education for his children.

In fact : "à de certaines époques il faut parcourir tout le cercle des folies pour revenir à la raison" (B. Constant), and it would seem as though we had arrived once again at the end of one of these "cercles de folies." We have learnt to know the excesses of "Colossal Capitalism" and have now got into the maelstrom of collectivism from which latter many are expecting salvation. People recognise what is common to them both and must by this time have had enough of being well-greased parts of the social, political and economic cogwheel machine. They desire to be human beings again in the plainest and most intrinsic meaning of the word ; they wish to become themselves and to belong to their family and their own smaller community once more ; they feel with irresistible force that modern society condemns them to something utterly incompatible with human nature, and particularly so, where they have been fooled with promises to redeem them from this collective existence by means of collectivism ! A disgust which is difficult to describe is consuming people more and more ; a sense of the evil of all these things, i.e., of congestion, of the colossal, of the centralised and the organised. They abominate organisation driven to excess, "insolence of office," regimentation, being pushed about all over the place, and they are longing for freedom and peace and the humanly appropriate. One must have very little understanding of the human spirit if one cannot discern this behind their commotion and at the back of all the activity which is taking place in the forefront of the stage. More and more people are registering the distressed feeling that human beings are being oppressed in their nature in being forced into circumstances which are making an ant-heap of society, which are robbing labour of dignity and significance and which no longer permit of privacy in the sphere of family, of "sitting-room" (Pestalozzi), of neighbourhood, or of private activity, in which alone the individual can develop his personality.

Although such sentiments require considerable time to make them-

selves felt or even to find clear expression, we can have the comfortable feeling that we are in league with a powerful contemporary movement in expecting the return to a healthy society from reforms to stop and then to reverse the processes of congestion and proletarianisation. All the more so as the last war has brought humanity face to face with elementary problems and simple conditions, has pitilessly revealed the artificiality and vulnerability of our big city civilisation and positively compelled decentralisation, since it was just these industrial centres upon which the bombs rained, and the recent invention of the atomic bombs is ominously underlining this expedience. We thus find ourselves in league with contemporary sentiment since we deduce our diagnosis and therapeutics from the essence of man himself, and since we are estimating the average human being by his more or less articulate rebellion against congestion and collectivisation and against a devitalisation which has become unendurable.

#### THE RESTORATION OF PROPERTY

We can now see our way to a programme of economic and social reform; one that is not artificial and which makes a simple appeal to the intelligence, not the least of its advantages being that it is really less of a programme than a philosophy, a reorientation of a fundamental kind, and one which looks to a deliverance, not from revolutionary organisational measures but from a patient reconditioning, from judicious changes here and there, from a shifting of balance, to changes in outlook and to well-considered assaults on strategic points of economic and social life. Quite the most important of these strategic points is the question of the restoration of property for the masses, something which should do away with that leading characteristic of the proletariat, namely lack of property.

The "restoration of property." That would seem to be a pretty radical demand and one to which incorrigibly blind socialists while perhaps despising it as being "petty bourgeois," will not withhold the epithet "revolutionary." And revolutionary it is, though in a sense requiring some further explanation.

In the *first* instance a policy of this nature demands as its most important prerequisite that people really want to possess property. As distinct from income which everybody wants as a matter of course, property requires a certain exertion on the part of the will and a particular attitude of mind, things which are anything but matters of course. And the difficulties with which we meet when we recommend decongestion and deproletarianisation reveal how a century of proletarianisation has weakened the desire for property. All would like "to possess," and no revolutionary policy is so popular as that

which would snatch from one to give to another. But "to hold"? This presupposes more: frugality, the capacity to weigh up the present and the future, a sense of continuity and preservation, the will to independence, an outstanding family feeling. Hence a successful policy having as its object the restoration of property—and this differentiates it fundamentally from the customary demagogic tub-thumping rubbish—does not begin with a promise but with a demand, a moral appeal, and with a work of education. If we are successful in really reawakening the desire for property an important step towards the restoration of property will then have been taken.

Now we come to the *second* point, namely, the difficulties and limitations which will have to be encountered in connection with the inevitable encroachments upon the existing division of property. A policy of this nature certainly has two aspects to it just as property itself, to which the homely and heartfelt words of Bacon are most appropriate: "Wealth is like muck. It is not good but if it be spread." Property concentrated in the hands of few is liable to abuse and represents the reverse side of the picture of the lack of property on the part of the masses, but when reflecting labour and social functions, and being of reasonable extent, it is a blessing. The former should be discouraged and the latter promoted. The restoration of property implies the simultaneous combatting of feudal and plutocratic property in which case property has not only lost its social significance, but is at the same time antagonistic to the conception of small-holdings for the broad masses. Indeed it presupposes their lack of property just as in feudal times. Concentration of property which usually implies concentration of the means of production, is in effect the negation of property in its anthropological and social sense. It is the preliminary step to that utmost concentration of property—and hence its disappearance—demanded by the socialists. If its restoration requires its decentralisation this means that an energetic "No" must be combined with an equally energetic "Yes." A "No" to concentration of property, a "Yes" to its decentralisation.

From this certain consequences will follow for fiscal policy, above all in the form of progressive death duties. But in this connection we must be particularly careful not to overlook the danger that a policy of the kind may overstep the mark and take on the character of being purely hostile towards property as such, and, under pressure from those who possess none, will work against the requisite education and desire for property. In this danger lies the whole difficulty, since it is necessary to hold the balance between the "No" and "Yes" and between the reactionary arguments of nabobs and the revolutionary ones of the propertyless. The important thing is to transform bad

property into good rather than into income. This objective is most easily to be achieved where there exists a broad middle class, whose intrinsic position tends to render them the natural political devotees of a middle course.

Here we come to the *third* important point, that the revolutionary character of our policy is to be sought not in its methods but in its aim, one which is radically contrary to the tendency of the times. We would jeopardize everything were we to draw up a cheap propaganda of sudden taking and giving, and would but create an atmosphere which would be little favourable to the work of education and to the re-awakening of a feeling for property and would thus prejudice matters from the very beginning. The revolutionary impatience with which one and the same people stupidly oppose the transformation of the proletariat into citizens and expect of us the most radical plans possible for dispossessing and taxing people, suffices to give us a clear warning. Certainly there may be a few exceptional cases of countries where the predominance of feudal latifundia can be attacked only by means of a more revolutionary character. But as a rule it must be far more a matter of a *lengthy and circumspect redistribution and compensation*, and above all of a *reformation of the economic system in such a way as to reduce opportunities for accumulating big properties to the absolute minimum*. Successful combatting of monopolies of every kind, of fluctuations in the value of money and of the causes of property concentrations is no less important for a policy of restoration of property than a progressive tax on inheritance. In the last resort such a policy becomes part and parcel of the general policies of social and economic reform. If we are treading the right path here the restoration of property will look after itself and in a manner which will be likely to guarantee lasting success, i.e., in an organic way, not in a crudely mechanical way likely to poison the social atmosphere.

Now as regards the *fourth* point. It is of some consequence to state concretely what is precisely meant by the term property, which entity we are desirous of creating for those who have none for the purpose of redeeming them from their proletarian existence. Clearly not shares in the Royal Dutch Company or a motorcar, but something which fulfils the function of property, which gives to existence stability, solidity and roots. And it must preferably be property possessing some vital significance. This means on the one hand property which can be productive, on the other, which can provide a home. The concentration of property signifies to a large extent concentration of the means of production and thus the question arises how is decentralisation possible here? So long as the technical and organisational advantages of the big concerns render impossible a decentralisation



of the concrete property of production one would have to be satisfied with the democratisation of titles to the property, the shares in other words. This would lead to many disadvantages. It would be infinitely more satisfactory, if possible, to bring about a decentralisation of such property by means of an increase of small and medium-sized concerns. (This is a question which must occupy us in the next chapter.)

Fortunately there is a form of property which in a wonderful way combines two characteristics. That it can be completely decentralised, and that it represents the most vital of all forms of property. We are referring to the land. This form of property possesses the still further important characteristic that it can embrace also the Home. It is that form of property which in this double capacity can make an end of proletarianisation even where, as in many industrial centres, as regards the individual's job, decentralisation is in practice out of the question. The industrial worker whom we cannot metamorphosise into a craftsman, can and ought to become at least the proprietor of his own residence and garden—or allotment—which would provide him with produce from the land, i.e., his own land, during his voluntary (or involuntary) leisure and an occupation besides his regular job. This would also render him finally independent of the tricks of the market with its wage and price complexities and its business fluctuations. On the one hand we ought to maintain in being and increase to the utmost of our power the number of peasants, craftsmen and small business people, in short, all who are independent and provided already with their own house property and means of production. On the other hand where this is not possible it should be our aim to procure the worker or employee at least the equivalent of such an existence by providing him with a minimum of property, and by letting him have a house and garden of his own. If there be such a thing as a social "right" this is a "right to property," and nothing is more illustrative of the muddle of our time than the circumstance that hitherto no government and no party have inscribed these words on their banner. If they do not think these possess sufficient draw, we believe them to be profoundly mistaken.

#### THE TASKS OF TOWN AND COUNTRY PLANNING

Decentralisation of habitat by means of ownership of house and garden implies that new conditions must be created in which a genuine and natural family life can thrive. To this belongs not only Pestalozzi's "Magnetism of the Hearth" but also what we might call the "Magnetism of the garden." The garden is not only "the purest of human pleasures" (Bacon) but also offers the indispensable natural

foundation for family life and the upbringing of children, and furthermore, a decentralised existence gives the family with many children those conditions which transform a heavy burden to be endured with resignation and avoided if possible into something natural, stimulating and immediately worth-while, something for which one can strive without too great moral exertion.

Assuredly the final cause of the contemporary fall in the birth-rate has a moral foundation, and Gustave Thibon is right in describing the refusal to have children as one of the most striking expressions of the modern tendency to shirk life with its ties, hardships, duties and risks, and as a deliberate renunciation of the vital in favour of an artificial existence of comfort. This tendency derives its strongest impulse from the fact that life under modern urban conditions renders children a heavy liability in the family budget and weakens the desire for procreation, which fact renders appeals for a change-of-heart both unconvincing and ineffective. Better than all appeals and advocations is the realisation that the urban and industrial development of the past fifty years has done the greatest possible harm in making the bearing and rearing of children, the most natural thing in the world, such a heavy burden. A state of affairs which has become the much-discussed subject of conferences, books, appeals, emergency action and every type of artificial aid and encouragement. It is always a very bad sign if conditions become such that children are a liability instead of an asset and a subject of preaching or laws. That is why the drive towards decentralisation touches such a vital point of modern life in all its perversity.

Let us at least be frank about this : large families with children have become barely compatible with conditions of life in a big city, conditions which multiply expenses including those extra ones with which the town-bred individual creates a compensation for the artificiality of his existence. But who can undertake week-end jaunts or family holidays if every expense must be multiplied five or six times ? Whereas a countrified garden-home renders these several expenses not only unnecessary but makes what before was a discouraging source of expense now a factor contributing to a positive improvement of material well-being. A cash outlay becomes transformed into a natural income through work in one's own garden, work which at the same time is providing a more natural existence for the family.

There is another point namely, that a considerable difference exists between the cost in money of food purchased on the market and the real cost of things produced at home. The market price for fruit and vegetables may appear high to the home producer but to the market gardener they do not seem at all high. The reason for this

state of affairs is that no one who possesses a garden would think of calculating his own work in his garden or that of his family in terms of cash. On the contrary he looks upon his gardening in the same way as a hunter, an angler or someone looking for mushrooms views his activities in the light of a credit balance on his living account. They procure him proximity to nature, a happy and purposeful activity without the sting of money-grubbing, and recreation for which he would otherwise be having to dip into his pocket. Hence home production is not only—to use the phraseology of Roman law—to a certain extent a *damnum cessans* but also a *lucrum emergens*.

It is considerations of this kind which must be taken into account if we are to see clearly the modern *big city* as the monstrous abnormality it has in truth become in the last hundred years, and if we are to recognise it as an incredible eccentricity that people, true to the cult of the colossal, should be even proud of it. Naturally—and here we would disclaim any idea of being despisers of towns *qua* towns—in every highly developed civilisation besides the open country there must be centres of political, intellectual, social and economic life; towns in fact. If today the big cities appear to be such centres they do not cease thereby to be something wholly abnormal. They are no wise the normal form for such centres but represent a pathological degeneracy: firstly, owing to their increasingly monopolistic centralisation (Paris for example), secondly, owing to their immense size and thirdly, on account of their sociological structure which renders them the principle source of congestion, proletarianisation and devitalisation.

Cultural centres of the past such as Florence, Geneva or Weimar which put every modern big city in the shade, were—according to modern notions—mere “hamlets.” But it is difficult to conceive why even today a healthy and well-designed city fulfilling all its functions should not have a maximum population of fifty or sixty thousand inhabitants. This would seem to be also the opinion of the leaders of the movement for town and country planning in England today, where considerable clarity of view in this connection appears to have been achieved, if for no other reason because the bombing there at least served the purpose of demonstrating the immense dangers of herding together, and rendered possible a radically new beginning. It is in fact not out of the question that in the frightful air bombardments of the last war we may have been witnessing the apocalyptic end of the big city altogether, especially if we consider the frightful perspective of the atomic bomb. The lesson that the town-dweller has to put up with an inferno about his head whereas

his country cousin is comfortably pulling his bed clothes about his ears is one which is not likely to be forgotten.

The recognition that the modern big city is a pathological phenomenon is spreading and is leading to the conclusion that the pulling down of this product of modern civilisation is one of the most important aims of social reform. To achieve this is the first task of Town and Country Planning: negatively by breaking up these industrial and habitation clumps and the prevention of an ever more consuming spread of the big cities: positively through the widest possible realisation of the ideal of the single family establishment with a garden.

This means decentralisation in the widest sense of the word. None the less a serious warning is necessary here of the danger of a mistaken and *spurious decentralisation*, one which unfortunately has been realised to a large extent. It is the danger that decentralisation will become a mere extension of the big city into the country along the main roads (ribbon development) and so become what can best be described as "*suburbanisation*." This implies, in contrast to the desired genuine decentralisation, firstly that it amounts to a mere decentralisation of sleeping quarters whereas the big city would still remain the centre of work, shopping and pleasure, to which masses of people would be for ever hurrying ever greater distances taking always more time in ever more overflowing conveyances and under continually more uncomfortable conditions (not to mention the cost to family life in loss of time, etc.); secondly, that the traffic problems of the big city are becoming ever more insoluble since its territory of approach is constantly increasing owing to the decentralisation of living quarters; thirdly, that the whole country will tend to become a mere "Banlieue" instead of being either genuine country or else properly designed and compact towns; fourthly, that these outlying parts will tend to differentiate themselves according to class (West and East End) and according to their economic function (a suburban residential district, working class district, railway district, etc.) and that people will mix with one another in the urban centre in an anonymous and mechanical sort of way typical of present day congestion instead of being close communities embracing all classes and functions and possessing a genuine community spirit of neighbourliness.

It cannot be denied that even this spurious decentralisation (suburbanisation) represents a considerable progress in comparison with the old herding together in the big cities. And so much the more is this the case the looser the connections with the urban centre and the more the outlying districts acquire a life of their own as centres of work, management, shopping, education, and amusement. To achieve this

object it is also of great importance that lessons at the High Schools in the city centres should be confined as far as possible to mornings only so that the children can get home at least for their midday meal and be able to spend the remainder of the day in their garden home, which would mean only two journeys daily instead of four. A reform of this nature would extend by several miles and at a blow, the possible garden zones so necessary for families with children. (This would be merely realising what in my own childhood was a matter of course.) It belongs to the category of those simple things which require only a decision to be taken to produce the greatest and most beneficial results.

If spurious decentralisation be better than none, its great disadvantages which I have enumerated necessitate that it give place to *genuine decentralisation* which means the creation of fresh small centres in lieu of the big city. Only thus shall we create real communities and the conditions of a natural existence for human beings and effect the abolition of the big city with its insufferable comings and goings of large masses of people. And only in this way shall we escape traffic conditions which already weigh upon us like a nightmare as we contemplate in the near future the opening of the sluices of the mass-fabrication of popular motor cars, with their products pouring over every street and highway. One who has never experienced the repulsive chain of motor cars creeping slowly along one behind the other, bearing New Yorkers on Sundays to catch a glimpse of nature, cannot imagine what lies ahead of us when things really get going again, a state of affairs which car manufacturers appear to consider idyllic! This vision of a well-nigh unimaginable motor car rabble, which incidentally will not be mitigated by simultaneous aeroplanes overhead driving away the last remaining hawks and kites, will become an inevitable reality unless we can offer human beings conditions which will at last bring them peace.

That is the great purpose of Town and Country Planning as far as it is based upon the correct anthropological and sociological foundations. It is earnestly to be desired that all those who are called upon to co-operate in this noble task will take this to heart and in particular the architects who occupy the leading position. We believe that today the latter would be the last who would wish to palliate the great mistakes of the past or the share of guilt appertaining to their own profession. It is therefore to be hoped that they too will agree with us when we maintain that the architect in whose hands are combined Art, Technique and the Organisation of Space, easily incurs the danger of giving way too readily to his artistic tendencies and so forgetting that generations are going to have to dwell and spend a great part of

their life in his houses apart from whatever temporary changes of fashion there may be. Too many of the buildings all round us are evidence that it has not been incorrect to speak of a "trahison des architectes." In short, we would like from them just that amount and kind of homely common sense which we cannot do better than express in the words of an author whom we are still sufficiently oldfashioned to read, namely, Wilhelm Raabes, in his "Horacker" as follows :

"There opposite the windows of a thousand people a new house is being built. All the thousand will follow with interest the processes of erection from the first beginnings of the cellar to the fitting of the glass window panes. But of the thousand, nine hundred and ninety nine will only say—'The house pleases me' or 'The house does not meet with my applause'—but anyway—that would be a residence for me—I could put my sofa—my library—my bits of furniture in there, and it has an excellent view'—and amongst that thousand there will be one who, quietly and sadly ruminating, will be asking himself and asking Fate, 'What is going to happen in this house?' This solitary one gazes across from his well-furnished four walls into the still empty window spaces opposite noting the plaster and the paint, leans his head against his window pane, the thin glass wall which separates him from the house over the way, and thinks of birth, life and death, of the cradle and the grave, and it is for this solitary one that we are writing today and have always written. But we would like to have many readers."

---

#### NOTES

##### 1. (P. 152) *The Whole Task.*

It is characteristic of our time that the available literature on the problems of decongestion and deproletarianisation is very scanty. Catholic literature occupies a large portion of it. We would refer especially to the celebrated Papal Encyclical "Quadragesimo Anno" of May 15, 1931, which has so often been misunderstood and interpreted tendentiously. It is particularly clear in its recognition of the task of deproletarianisation and the methods for its solution and it represents a most impressive programme for the "redemptio proletariorum." On the same subject see the Catholic writers, G. K. Chesterton ("Outline of Sanity," London), *Hilaire Belloc* ("An Essay of the Restoration of Property," London, 1936) and *Goetz Briefs* ("The Proletariat," New York, 1937). Outside this small Catholic circle I would specially recommend, *Gina Lombroso* (— Ferrero), "Le retour à la prospérité," Paris, 1933. Also the works of *Gustave Thibon* are a fount of knowledge.

2. (P. 159) *The "Right to Property."*

Very valuable as an indication of the response which such a programme would invoke are questionnaires which have recently been going the round in England and about which that excellent paper, "Town and Country Planning," has something to say in its Summer Number for 1942. It said that ninety per cent. of English women may be presumed to condemn flats and to desire their own house and garden. And a similar result was obtained from an enquiry among the troops who were asked to say which they would prefer, the most comfortable flat or a simple bungalow with a garden. The great majority declared themselves in favour of the latter. Even the Socialist paper, "The New Statesman and Nation" (according to the Autumn Number of "Town and Country Planning," 1942) declared, "Real Property is the thing. A garden matters most, and a garden per family after the war would be as attractive a war aim and peace promise as any I know of." Mr. Churchill, when Prime Minister, virtually hinted at this in one of his speeches (21st March, 1943).

3. (P. 160) *Shopping versus Home Production.*

Attention should be drawn to the fact that matters discussed in the text in this connection have not as a general rule been sufficiently considered as regards the problems of the farmers.

4. (P. 160) *The Tasks of Town and Country Planning.*

There has been good preparatory work in this field particularly in England under the leadership of the "Town and Country Planning Association" which was founded already in 1889, with its paper, "Town and Country Planning." This work has just recently found its first official recognition in a series of reports (Barlow Scott, Uthwatt) all of which are of much more fundamental importance than the Beveridge Report and have consequently received much less notice. Incidentally, in one of these reports the task of town and country planning within the framework of market economy has been clearly defined: "Private and local initiative must be subjected to State control. This necessary conclusion does not involve the suppression of individual initiative and enterprise, but it does involve acceptance of the view that the State must determine the areas in which they may operate." (Uthwatt Report, paragraph 15). See as regards English literature, *Gilbert and Elizabeth Glen McAllister*, "Town and Country Planning," London, 1941; *Patrick Abercrombie*, "Town and Country Planning," Home University Library, London, 1933; *Lewis Mumford*, "The Culture of Cities," second edition, London, 1941; *F. J. Osborn*, "New Towns after the War," second edition, London, 1942. Who would measure the complete blindness with which an illustrious spirit of a hundred years ago was afflicted should read Macaulay's Essay, "Southey's Colloquies." (Appeared 1830 and reprinted in all collections of his essays). For a similar example in our own time see *J. G. Thompson*, "Urbanisation," New York, 1927.

5. (P. 161) *The Pathological Character of the Big City.*

The following lines about New York are most appropriate here:

"Jazz, rattle, bang, crash, asphalt and cobble stones,  
Roar of the Subway—clangor of the El,  
Battering the brainpan—shattering the consciousness,  
Some call it living, but I call it hell."

(*Ireland Baron*, after *J. Russell Smith*, North America, New York, 1925, p. 123).

6. (P. 164) *Household Arrangements.*

In touching upon this most important matter we will consider the problem of heating. We talk of the hearth and the "foyer" after central heating has done away with the last remnants of a cosy and warming family centre which at least during the winter was represented by the fire, degraded it to a mere technical one and has relegated it to the cellar. A little thought and observation will give an idea of what this signifies for the sociology of the family. As against the unquestioned comforts of central heating we must consider: (1) the disappearance of the "foyer"; (2) the weakening effects of sleeping in a heated bedroom and the possible damage to health from the dry atmosphere; (3) that it represents a heavy financial burden. Since the scarcity of fuel during the war has taught us not only that we can manage very well without central heating but that in the single open fire we regained a family hearth, the question now arises whether we cannot make a virtue in time of peace out of the necessity of war, at least in the form of a combination of central heating with an open fire. Perhaps in any case we shall be forced to do this by a permanent rise in the price of coal, something doubly to be desired, firstly to create working conditions for the miners which make up for the extreme severity and danger of their occupation and secondly, to prolong the life of the rapidly diminishing stocks of coal.



## PART IV

### ECONOMICS

*"This is the quality of matter :  
For what is natural, scarce the world has place ;  
What's artificial, needs restricted space."*

*Faust*, II, 2, The Laboratory, trs. Oxford Classic.



## CHAPTER VIII

### THE DECENTRALISATION OF INDUSTRY

#### ENCOURAGING FACTORS

THE previous chapters have revealed how important it is to curb the continuous expansion of big business and to increase by a growth of small and medium sized businesses the number of those who are independent and to endow industrial labour with a personal character more in keeping with true craftsmanship. We realise the importance of this for the individual, society and for the State, and we cannot spend further time over those who still refuse to comprehend the great urgency of industrial decentralisation but would prefer to presuppose that this point of view is taken as a matter of course. Those who regard our views as naïve or "romantic" will scarcely expect any further reply from us. It is no longer a question of wishes but of possibilities. The investigation will have to encounter a whole host of serious and weighty objections. It is a matter in which above all an important rôle must fall to the technical experts.

We will begin with the question which is amongst the first to be put to us. In striving against the decentralisation of industry are we not tilting at windmills? Are there not in existence all-powerful forces of economic concentration and is there anything to be gained in taking up the struggle against them?

These forces appear to us anything but all-powerful or clear cut and those who would interpret the matter in the light of the necessities of a technical character but who are not sufficiently acquainted with notorious technological facts are but revealing their ignorance.

In the first place it is necessary to distinguish clearly between the concentration of firms and that of plants, i.e., between centralisation of legal and financial and that of technical units. As regards the former (i.e., the case of mergers, trusts or concerns) it would be difficult even as a general rule to maintain that this follows of necessity from an increase in productivity and that productivity would sink markedly if the concentration of undertakings were to be checked by an energetic policy of legislation. The precise opposite would more likely be the case since the lessening of the influence of monopolies achieved openly thereby would have as a consequence the diminution of the admitted harm of monopoly, on which almost everybody agrees nowadays except the monopolists themselves. It is certainly not

technical progress which has led to an agglomeration of undertakings but quite other, and as a rule less respectable causes. Amongst these are to be reckoned above all the legislation and the economic policy of governments, so one ought not to attribute results to innocent technicians for which really jurists and politicians are responsible. Very possibly there would be few monopolies in the world today were it not that the state for a variety of reasons had exerted the whole weight of its authority, its laws and of its conscious or unconscious economic policy in favour of monopoly and against the natural gravitation to competition. This must be expressed with all the greater emphasis as the opposite is usually expounded in such a way as though there could be no further discussion on the point. Nothing stands in the way of a Draconian prohibition of a concentration of several units of business in one hand. The decentralisation of undertakings embracing several technically independent businesses is no serious problem but a requirement which forces itself upon us as a means of preventing monopolies and breaking up social masses.

If we now turn to *technical centralisation within a business unit* we are dealing with a factual question about which the man experienced in technical matters and works organisation should have the final say. Is technological development leading inexorably to the big business, assuming we do not desire to depart from the ideal of the greatest possible productivity—in other words, does technological progress increase the optimum size of the business?

We are surely not presumptuous towards the technicians in uttering a warning against the commonplace judgment which would attribute an unambiguous—whether positive or negative—effect to the progress of technology and hence either praise it up to the skies or condemn it utterly. We certainly do not count ourselves amongst the optimists who would deny that there were any disadvantages in machinery and who would attribute all disappointments merely to the misuse which people make of it. Rather we believe, after due consideration, that often something decidedly despotic attaches to technical invention which if we are not energetically on the lookout, is liable to grip us and change our whole life, that of individuals and of society as well. But it would be more than naïve to believe that these changes must invariably be for the better. Who can deny that humanity would have been far happier if this or that invention had never been discovered, or as in earlier times, had remained a harmless toy? Who would not privately admit between friends that the considerably reduced motor traffic during the war made us feel on the whole very much better? But we must quickly add, who would now wish to be without railways, electricity or bicycles? That is just the point. Inventions possess a

wholly different character as regards their economic, social and anthropological effects, and should be classified accordingly with delicacy of perception and sociological insight. They should, as we shall soon see, above all be guided from this point of view. This seems to us to represent a realistic attitude of mind and one far removed from every kind of romanticism, from the romanticism of the cult of the machine as that of a Gandhi.

One can now see that there can be no talk of a continued and general rise in the optimum size of a business during the last decades. The case of agriculture requires no further discussion in this place, but it is all the same notorious that the gloomy forebodings have not been fulfilled as regards either craftsmanship or trade, and we are constantly seeing, simultaneously with the rise of new technological developments, the coming into being of new occupations (garage owners, motor and radio repair work, etc.) which increase the number of small independent existences. But how is it with industry?

Also here, to say the least, the question is far from clear. Certainly we have to admit that in certain specific directions technical development has undoubtedly led to a continuous raising of the optimum. Railways, power plants, and other public utilities are the most outstanding examples of cases where we have to capitulate in face of the economies of overhead costs, indeed admit the necessity for their monopolistic position, but we would of course add that for this reason there is much to be said for making them *public monopolies* if we consider public control as insufficient. Mining, heavy industry, ship building, the motorcar and similar industries—not necessarily monopolies—are further striking illustrations of the rise of the optimum size of firms. But even here the champions of big business must beware of being too sure of things. The very same technological development which has hitherto driven up the optimum size of a business can in its further course work in the contrary direction, and already there are signs here and there that this is happening. The superiority of the big power plants over the smaller is no longer out of the question. The application of electricity in the iron and steel industry might render the small business of an earlier day quite a paying concern once again. The small colliery which is still to be met with in England (although for some unaccountable reason it seems to be regarded as antiquated) could in certain circumstances be demonstrated as wholly capable of maintaining itself. The recent invention of small transportable saw-mills (“jeep mills”) in the United States is already upsetting the powerful positions of the great concerns in the American lumber industry. It would therefore be premature to bring this particular chapter to a close.

The further we go beyond these industries the more our doubts increase. Statistics will reveal that the average size of a business has fallen rather than risen during the last ten years in more countries than one; that countries with predominantly small and medium-sized businesses (Switzerland, Belgium, Wurtemberg, Japan) not only maintained themselves in world markets but in many respects revealed their superiority; that in many industries the bigger concerns are by no means the more paying, not even in the United States, where authoritative enquiries on the subject on the part of the Temporary National Economic Committee are on the tapis; that far-sighted big industrial undertakings—above all in Switzerland with the classical example of the Bally Shoe Factories—are finding it desirable to undertake a decentralisation of their industries; that where war conditions have necessitated this move dogmatic admirers of big businesses would appear to have been surprised by the excellent results, as in England where tank production went forward in six thousand factories of relatively small extent and only the assembling was done in the big factories (like the locomotive industry in Japan), in Switzerland where the Oerlikon gun had been made in all its different parts by many small factories or even family shops all over the Jura Mountains, and in China where the small industrial co-operative businesses ("Indusco"), born of the necessities of war, have justified themselves. To these facts which deserve our close attention might also be added the one, that in Germany, where the most rational production had been predicted from the utmost concentration, very disagreeable experiences would seem to have been uttering words of warning.

#### REASONS FOR THE VITALITY OF THE SMALL CONCERN

Those who persist in the dogma of Big Business and neglect a more enlightened view as "romantic" are not sufficiently informed, and themselves neglect the most obvious indications of what is already taking place without any special programme, not to speak of what could happen if these tendencies towards decentralisation were to be given a powerful impulse. There must be important reasons for these facts which impugn the false dogma of the unquestioned superiority of the big concern and we must look closely into them.

We must first of all view the ground upon which the dogmatist is accustomed to base his principle argument, namely technology. It is not at all the case that the development of technology shows a clear-cut tendency to bring about ever greater complexity, mass, and ever greater demands for capital expenditure. We are aware of many

technical advances which have had precisely the opposite effect. What we should like would be an expert's answer to the question to what extent technological development during the last ten years has raised or diminished the optimum size of businesses, and a corresponding analysis of technological progress. Up to the present I am unaware of any such investigations, which owing to the importance of the matter would be astounding, if one did not take into account that hitherto little has been done to bring the significance of the matter to the notice of the technical experts. We are surely not far wrong in our supposition that the results of such investigations would astonish those who are devoted to the cult of the Colossal. It is already abundantly clear to the lay technician that such revolutionary inventions as the electro motor, the internal combustion engine and certain special machine tools must have contributed largely to diminish the advantage of the big concern or even render it obsolete. The production of electricity doubtless is the domain of the big concern just as the production of coal is, but as opposed to coal electricity itself renders possible the installation of machinery in even the smallest workshop of the handicraftsman and on the smallest farm. Much the same thing applies to the liquid fuels. The scope of a development of this sort is easily overlooked by a public which tends to succumb to the suggestion of mere size and to what is technically impressive. The public combine, with size the mental picture of superiority and solidity, clings to the immediately visible colossal type of economic activity and undervalues the very much more respectable total sum of the vital small and medium-sized concerns, not spectacular enough to arrest people's attention.

With this optical delusion is combined the crude visualisation of a big concern on the lines of the Ford Factory with all the work down to the smallest detail devoted to the manufacture of a single product, whereas in point of fact it is more often than not only a case of uniting several distinct processes on the area of one factory, processes which might just as well be spread over several decentralised workshops or even better, several undertakings. It is precisely the growing specialisation in individual businesses and individual firms which shines out as the most fundamental cause of industrial progress and not the ever greater massing of production in ever bigger concerns. The law of mass production applies not so much to the individual business as to industry as a whole since a greater volume of saleable products permits of a correspondingly higher degree of the division of labour between different firms. It is for this reason that already a number of farsighted undertakings in different countries have begun decentralisation of their factories by dividing them up into a number of smaller units,

preferably in rural surroundings. They have been well-advised to do this. The question arises here whether at last the time has not arrived to look into the manifold proposals and experiments upon the change of form of the big concern and develop these. ("Gruppenfabrikation" by Hellpach, E. Rosenstock's "Werkstattaussiedlung," the "Föderative Fabrik," "Fabrique dispersée," Ford's and Bata's experiments, the systems of Rodier in Picardie and of Oyonnax).

Now it is alas extraordinarily difficult to achieve arithmetical certainty as regards the advantages of industrial decentralisation. This consequent lack of precision creates a wholly unjustified picture in the mind of the believer in simple figures in favour of the big concern. The difficulty lies in weighing up various disadvantages of the big concern and various advantages of the small business in the reckoning up of costs. For instance the Ballywerke in Switzerland would doubtless maintain that decentralisation of the factories caused certain calculable costs, for instance in the form of additional transport, costs which the firm knows would not have been otherwise incurred. But how will they book the profit of greater social contentment and the better mood of their workers? Are such factors then indeed really of smaller consequence than the telephone account? The example of this firm and of many others is an indication that this question would be answered with a decided "No." Nor are examples lacking of the big concern deriving advantages and privileges at the expense of the community; by help from the state of various kinds, by tax reductions, by share manipulations, monopolistic practices, special electricity and railway rates, credit advantages, and lastly from the fact that the more remote damaging effects of the agglomeration of industry are usually veiled from the sight of the calculating bureau in the form of increasing local rates, growing criminality, river pollution, overloading of the railway system, greater washing requirements for whole populations afflicted by the permanence of soot and smuts, and a dozen other things. The total sum of these undeserved advantages must be so large that it becomes all the more remarkable if in the face of this, the small and medium concerns can, not alone maintain themselves, but, as we saw, are in many cases even superior. We wonder how these would have compared working under the same conditions from the first, or if these privileges and advantages had been applied to decentralisation instead.

The mind of the organiser of industry must beware of valuing only what is visible and immediately to hand. The most rational works organisation in the most colossal style and the most gigantic and most complicated machines are alike equally valueless if we lose sight of coefficient  $\alpha$  (anthropos)—the human factor—which finally turns the



scale in this just as in any other form of human organisation. If progress in technology and organisation is to be a blessing and not a curse it must remain "à la taille de l'homme," otherwise the consequences can be disastrous not only for the factory but for the whole nation. Bearing this in mind and recollecting the grave dangers inherent in congestion and proletarianisation, we have small hesitation in saying that a technology and organisation of industry which permit the cheapest possible production solely on the basis of the calculable elements of cost, can quite possibly turn out to be the most costly of all, not only for the undertaking concerned but also for society as a whole in the long run.

To those things which escape the superficial mind belong two further most important factors. One of these is *demand*, which finally decides whether a specific technique of production is applicable or not. Intensive mass production in big business presupposes both volume and permanence of demand, otherwise neither can the law of mass production function nor can funds be set aside for amortisation. The more individual and changing the demand, so much the less suitable is big business mass production, particularly where all articles are subject to changes of fashion. Big business mass production implies as in the United States for example, that motorcar types can only be changed with great difficulty and the manufacture of the small car had to be left to Europe. Its characteristics are the rigidity and vulnerability of the Dinosaur, whereas the smaller concern is distinguished for its greater pliability and resistance to crises. Herein lies probably one of the secrets of Swiss industry which has no reason to view the after war period despairingly, although it will be again called upon to meet the mass production of the big industrial countries.

We should like to point out here in contrast to a widespread opinion, that the demand for goods in the production of which the small and medium-sized business is superior to the big has the tendency to increase in importance rather than diminish. There should be no contradiction, to take one example, when we declare that tourist traffic is becoming ever more important. Why? Tourist traffic belongs together with a host of other activities (education, art, science, enjoyment, health, gardening, handicrafts, services of every kind, books, newspapers, etc., etc.), to a special group of economic life which elevates itself as it were to the position of a top floor over and above the massive production of material goods of primary importance. Thus it is one of the top members of a graduated sequence of production, for which recently Anglo-Saxon economists have introduced the convenient terms "primary production" (agriculture), "secondary production" (industry—especially staple wares) and

"tertiary production." If tourist traffic be conceived as "tertiary production," then its products belong to those goods which that master of Italian economics, Luigi Einaudi, has lately described as "beni d'ozio," leisure goods. These apt phrases characterise the following state of affairs. In the case of economic products of which tourist traffic is a good example, it is a question of that range of production which on the one hand presupposes the broad foundation of the production of material goods, and on the other hand the latter presupposes the former, as soon as a certain minimum volume has been achieved and therewith scope created for raising the standard of living, which scope not only renders "tertiary production" possible but is also (as we shall see later) necessary in the interest of the equilibrium between production capacity and consumption.

Hence tourist traffic is typical of an activity which sets in when production, prosperity and mass incomes are rising. With the broadening of the basis of material production this type of economic product gains continually in importance. It is this which has supervened during the last few decades. The top storey has become ever wider until finally things have gone so far that one has acquired a wholly false picture of the varying importance of individual branches of production, if when using the word "production" one is thinking in the first instance of wheat, iron and textiles but not of articles of peculiar quality of every kind, such as journeys, books, periodicals, art, enjoyment and recuperation.

Now this state of affairs has a double consequence which in all the contemporary economic and political discussions should be considered with the utmost care. One is concerned with the problem of economic stability and will occupy us in due course. The second has to do with our problem of decentralisation. When it is the case that an ever growing importance is attaching to "tertiary production" and the "beni d'ozio" as opposed to production of staple goods, this means that simultaneously those economic branches will be strengthened in future in which not the big business but the small and medium concern dominates. It is a great mistake to gaze upon big business mass production as though hypnotised and thus overlook "tertiary production" which is becoming ever more important, and in which conditions for the small and medium concern are without doubt much more favourable.

We mentioned their greater *resistance to crises*. This is indeed the second factor and one which like the first factor of demand the dogmatic defenders of Big Business gladly overlook. They forget that a business concern has to maintain itself throughout the fluctuations of the business cycle and that only that size is efficient which continues

to function satisfactorily throughout the whole cycle, in a boom as well as during a depression. Perhaps the greatest weakness of the most highly capitalised big concern lies just in this. This difficulty cannot be overcome by the boldest measures of a policy of full employment to prop up its capital structure tottering under the depression. On the contrary, such measures are far more likely to launch economics and society into unpredictable adventures, whereas the sound and reasonable thing consists in furthering and developing the small and medium concerns which are the most suited to resist a crisis, while at the same time these offer the best possibility for giving workers caught in the depression a reserve in their rural circumstances and in self-maintenance. A radical business cycle policy ("Full Employment") is thus nothing other than a further and particularly bold method for artificially sustaining a balance which is in fact moving against centralisation.

### THE TASK

All these things go to show that economic decentralisation, the urgent necessity for which is no longer in dispute, far from having to struggle against overwhelming force, would in many ways be following a natural tendency. Meanwhile it is a matter only of pointers that indicate the direction which we may confidently pursue and certainly not one of results with which we can be satisfied, or of trends which do anything but look after themselves. What we have said can only serve to give us courage, to protect us from cheap and senseless reproaches as though we were wanting something idiotic, and to make known the task which lies before us.

This task consists in discovering all the technological and organisational possibilities of decentralisation, in increasing and realising them, in interpreting and making known the experience we have gained so far, in combating widespread errors, and above all in creating an enlightened view of the general sociological considerations with which we began. A particular rôle falls here to technology which is held responsible for so much harm and which will now have to demonstrate that it is quite as capable of solving the problem of applying itself to the urgent anthropological needs of industry as to questionable requirements of consumption, and that the spirit of invention is not impotent in a sphere which is so decisive for human happiness and for the fate of society, having so successfully overcome the task of blotting out whole cities in a night.

1 Wholly wrong is the idea that we should just passively welcome all that is bestowed upon us in the way of inventions through luck or

some law of natural logic. The saying that necessity is the parent of invention rightly indicates that inventions and still more their application, follow impulses which reach technology from outside. If, as in time of war, placing technology at the service of mass destruction becomes the most urgent necessity then the most wonderful results will be achieved. Now why should technology reveal itself as wholly unfruitful when we might at last provide it with a task well worth the sweat of the noble minded, and in the solution of which technology would become a source of fresh and genuine happiness, namely the task of so altering the technique of production as to serve decentralisation instead of centralisation, rendering possible the greatest possible number of independent existences and giving back to human beings as producers and workers a state of affairs which would make them happy and satisfy their more elementary and most legitimate instincts? "Le pouvoir d'agir et de créer est une jouissance morale parfaitement distincte des avantages matériels de l'action et de la création." These words were spoken by the great French sociologist Le Play who was himself a distinguished engineer. Is not the increase of the total sum of such "jouissance morale" the highest aim which technology can set itself? Higher than faster and faster aeroplanes, television, great motor highways and skyscrapers? Hence ought not his co-operation in this task to signify the highest possible "jouissance morale" and his greatest occupational aim for the engineer? Surely an occupation infinitely more satisfying than the solving of problems set him by War Ministers, heads of trusts, by the planners of the socialist totalitarian state and the soulless snobbishness of seekers after amusement.

It is precisely this task of a sociological technology which we are setting up in opposition to a sociologically blind technology. The essence of such a technology has been justly grasped by the sort of engineer who directs his gaze beyond his blue prints to humanity and society, for whom his machines can become a blessing or a curse; the engineer, who, thanks to occupying himself with fundamental anthropological matters, knows what is at stake for humanity and society and what mortal danger threatens from congestion and proletarianisation, and to whom the *social doctrine of stresses* is as familiar as the physical, just as it was to Le Play. An engineer of this kind would ask himself every time he put pen to paper, "What direction am I now giving to humanity and society? How will my drawing lead to the 'jouissance morale' of Man? How will it influence centralisation or decentralisation?" An engineer of this type will accustom himself to bear in mind the sociological and anthropological factors just as much as the physical and chemical and he will always include

in his calculation coefficient  $\alpha$ , the human and social one. Just as neglect of the law of mechanical stresses can involve disaster to a bridge, so the neglect of the social doctrine of stresses can lead to the total collapse of our whole social edifice, burying the proud products of a socially blind technology in its ruins.

That this sociological technology is no mere utopian phantasy of the brain is shewn by the circumstance that where the small and medium business is accepted by him as a *fait accompli*, the technologist is already automatically drawn this way. This is the case in small farming where engineers by means of the invention of tractors and other apparatus suitable to small establishments have begun to apply the methods of sociological technology, even if only to a modest extent so far. Why should not that which is well-suited to the peasant farmer not be applicable to the craftsman or small industrialist? And why should it not be also possible for Big Business to discover technological and organisational methods for application to new decentralised forms of production?

An engineer of the kind we have been following we might confidently invite to follow us in another last reflection, and this all the more as we have already allowed it to make its appearance more than once in the course of our exegesis. Just as the scholar or the member of any other profession has his "déformation professionnelle," so also has the engineer who ought to admit it, like all of us, with humorous self-irony. It is the tendency to exchange the end for the means and to lose sight of the former, a mentality which will even go so far as to stigmatise any reference to the natural connection between end and means as "mere romanticism." We would say with Pascal, "C'est une chose déplorable de voir tous les hommes ne délibérer que des moyens, et point de la fin." It is a mentality which is driven to caricature in the type of the man who would describe the small family garden as an irrational form of vegetable production as if it were solely a matter of the growth of vegetables and not of happiness. And he is the same man who would recoil in horror at the suggestion that he should personally enthuse over a communal kitchen although the latter is perhaps a more rational arrangement for shovelling in calories than the so lamentably romantic good old family dinner table.

Thus neither technology nor machines are an aim but only a means which may seem to us to be useful or the reverse, but which in any case we should not superstitiously honour as though they were a man-eating Baal. The final aim is not technological progress but quite simply human happiness. We are not of the opinion that technological progress must of necessity be an unsuitable means to this end, nor indeed are we of the opposite opinion that it must be a suitable means

to it in all circumstances. We should much rather retain before us the *beneficium inventarii* and represent the point of view that everything possible should be undertaken to render technical progress a suitable means for achieving our simple end. We have exerted ourselves to prove that the outlook is better than pessimists would have us believe. But in the end we will undoubtedly reach a point at which the possibilities of making technological progress serviceable to human happiness in its widest and wisest sense must cease, and the "tragic in technology" begin. Then is the time to remember the merely instrumental character of the machine, and to put the vital question whether in the interests of humanity further technological "progress" ought not to be rejected just as we prefer the most irrational family kitchen to the most rational communal one.

---

#### NOTES

##### 1. (P. 169) *The Reproach of Romanticism.*

The expression "Romanticism" would seem urgently to require a fresh interpretation on account of its constant misuse. It is usually assumed to mean something tearful, wistful, sickly, a somnambulistic distortion of the truth which accords with a specific type of art, literature and philosophy. This type of morbid romanticism (which we would strongly differentiate from the healthy—see B. Croce, "History of Europe in the 19th Century") is characterised by subjection to a ghostly fatality, the "aváyez" of Victor Hugo.

##### 2. (P. 170) *The Motorcar as a cultural problem.*

A satisfactory philosophy of the motorcar, which the recent experience of the war has brought close to us, would of course have to be carefully formulated. It would have to take into account that the motorcar can be an excellent instrument of decentralisation. The question is how it can be confined to this and its other useful functions. This is again an illustration of the general cultural problem of technology. In any case Utopias such as that of a World without Petrol are extraordinarily instructive and at the same time because of their Utopian character, melancholy. It would however be interesting to see whether in conjunction with the developments of technology a new attitude to life might not arise and whether human beings may not begin to think that a balanced happiness outweighs all the motors, radios and cinemas in the world, once it has been grasped whither the path of a "gay life" has been progressing.

##### 3. (P. 171) *Electricity as the special province of Mammoth Concerns.*

The author of the thoughts contained in the foregoing chapter was lecturing to some Swiss engineers who heartily approved of what he said, and who pointed out to him that cheap generators had been successfully built and installed on farms in the Alps near small mountain streams. A fine example of what technology can accomplish for decentralisation. What a pity that G. K. Chesterton did not live to

see this. (See his "Outline of Sanity"). Also it seemed to these engineers an understood thing that small power stations would have their place to fill in spite of the development of giant electricity undertakings. (See "Schweizerische Bauzeitung," vol. 199, p. 63 and Neue Zürcher Zeitung, No. 914 of June 10th, 1942).

4. (P. 172) *Palpable Facts.*

The enquiry set up by the Temporary National Economic Committee into eighteen industries (Relative Efficiency of Large, Medium-Sized and Small Business, No. 13, Washington, D.C., 1941) reached the following conclusion, "The results of the total tests reveal that the largest companies made, on the whole, a very poor showing . . . on the average, over one third of the companies in every array (sic. tr.) had costs lower than that of the largest company." The statement that a great fusion in the cement industry had certainly brought about a monopolistic rise in prices but no particular advantages as regards production is of interest. These conclusions were also reached by *Colin Clark* ("The Conditions of Economic Progress," London, 1940). This book throws the most comprehensive light on all the enquiries which have hitherto been made on the correlation between size of business and productivity. "Inter-firm comparisons in British industry show that in only a limited number of industries is increasing size of firm accompanied by increasing output per head." (P. 11).

5. (P. 173) *The Law of Mass Production.*

See the classical essay on this subject by *Allyn A. Young*, "Increasing Returns and Economic Progress," *Economic Journal*, December, 1928; and also *Colin Clark*, op. cit. p. 11.

6. (P. 174) *The Transformation and Decentralisation of Big Business.*

See *W. Hellpach*, "Gruppenfabrikation," Berlin, 1922; *E. Rosenstock*, "Werkstattssiedlung," Berlin, 1923; *G. A. Briefs*, "The Proletariat," New York, 1937; *F. Controt*, "L'humanisme économique," Paris, 1936; *H. Dubrenil*, "À chacun sa chance," Paris, 1935. "Le Retour à la prospérité," *Gina Lombroso (Ferrero)*, Paris, 1933 is a particularly comprehensive and stimulating book.

7. (P. 175) *The Decisive Role of Demand.*

Unfortunately this point is often falsely argued as follows: Mass production brings with it great saving in costs, but cannot be sufficiently developed because demand is directed to a great variety of types and fear of undesirable consequences (unemployment, industrial concentration, etc.) acts as a brake. Now it would be difficult to establish that development along the lines of mass production has been greatly hindered hitherto—unless it has come up against a limiting factor upon pure economic grounds, as in the case of the machine for making flannel trousers which poured forth trousers in a constant stream but finally was not a paying concern because the demand was insufficient to cover the very heavy costs of the apparatus. Precisely on this account it required collectivistic coercion (as for example in National Socialist Germany) to develop the mass production of types. But this does not render it an economic proposition within the framework of market economy so long as consumers prefer goods which are not all of a type, that is to say in the kind of economic system in which production has to fit consumption and not vice versa. If consumers desire standardised goods then why should it be necessary to exert compulsion for the massed production of such products? Anyway mistaken notions of the kind analysed here belong to the inheritance of all planning economists from Saint-Simon to the Technocrats and National Socialists of today. They are also the foundation of the strange eulogy of monopoly recently attempted by Schumpeter in his book, "Capitalism, Socialism, and Democracy."

8. (P. 176) "Tertiary Production" and "beni d'ozio."

The meaning of "tertiary production" has been well developed in *Allan G. B. Fisher's* important book, "The Clash of Progress and Security," London, 1935 and that on "beni d'ozio" by *Luigi Einaudi*, "Dell'uomo, fine o mezzo, e dei beni d'ozio," *Rivista di Storia Economica*, 1942, No. 3-4.

## CHAPTER IX

## THE PEASANT CORE OF SOCIETY

## DANGER OF AGRARIAN COLLECTIVISM

IF an enquiry into the possibilities and tendencies of industrial decentralisation can give us encouragement, another question immediately thrusts itself upon the mind which is bound to fill us with the deepest concern. Whilst we are attempting to restore health to society and to the economic system by means of decentralisation and decongestion, what is happening to that healthy foundation which is represented by agriculture and particularly by the peasant farmer? A development is actually taking place here which contains elements of the greatest danger and which can only be regarded as tragic, particularly so as some of the most competent to judge appear to be wholly oblivious to it. With permission of the farmers and to a great extent even at their energetic instigation during the last two decades and at a tearing speed the agriculture of almost every country—with perhaps the only important exception of Belgium—has been placed under an economic régime which can no longer be designated agrarian protection but which would be better described as agrarian planning, agrarian monopoly, or better still, as agrarian collectivism to give it its proper name. Now whereas the established policy of agrarian protection—"conformable intervention"—certainly corrected (perhaps disfigured) but did not stop the course of a market economy, regulated by individual initiative, freedom of choice, price structure and competition, the essence of the new agrarian policy consists in replacing competition by means of an ever more narrowly meshed netting of "non-conformable" measures such as monopoly, the curtailment of individual initiative and self-determination on the part of the small farmers by order of the state or the professional associations, and the replacement of the Market by enforced prices and general and ubiquitous interference.

In this way already for a long time now (before the war led to essential emergency measures in agriculture as in other branches of economy) for the express protection of the peasant farmer, a quarter, a half or fully collectivist section came into existence in the midst of our economic order; one in following which perhaps the Western World has gone furthest from the fundamentals of civic freedom and notions of property, and in very truth has set a course which to put it mildly, in the geography of economic policy lies very much more in



the direction of Moscow than Manchester. There is no doubt that this course can hardly fail sooner or later to engulf all remaining branches of economy as we have been able to observe at least in Germany for many years before the last war, and even before the Third Reich. But the question is forcing itself upon us whether this monopolistic-collectivist agrarian régime will not also revolutionise that which we have hitherto regarded as peasantry and peasant agriculture. When it becomes apparent that this revolution is likely to lead to real destruction of the small tenant farmer and peasantry of Western Europe we may anticipate a development which one can only describe as tragic and paradoxical. For why has one gone to the expenditure of so much daring and energy to embark upon a course, the immense dangers and burdens of which for the non-agricultural portion of the community could no longer remain hidden from any thinking person? And with what object have the non-agricultural population willingly taken these dangers and burdens upon themselves if not for the salvation of the threatened countryman? If the radical cure is about to render the danger to the peasantry really threatening, is this not committing suicide for fear of death? How much longer can these questions be shirked one wonders!

Now it is a remarkable thing that it should be just small farming agriculture which has been placed under a régime serving the requirements of economic security, and built upon coercion and direction, still more remarkable that at least in its milder earlier forms it was the result of pressure from the farmers themselves; but most remarkable of all is the fact that all this appears strange to hardly anybody. Something revolts us in the idea that it could really accord with genuine peasant existence and that a Stauffacher, a Schulze vom Oberhof, or a Gotthelf or a William Cobbett could enthuse permanently about such a docile fitting in into the planned economy of agriculture. Have we all over Europe moved so far already from genuine country life and all that is implied thereby in sturdy independence? That is perhaps fortunately not yet the case but with contemporary economic régimes lasting much longer there is no knowing what might not yet become of the European peasantry. It was undoubtedly wholly exceptional circumstances in conjunction with the general uncertainty of the past decade which led the peasantry in so many countries to embark upon an economic and political path so little in keeping with average country life, once its direction and obvious consequences had become evident. Of interest here is the fact observed in so many countries that the leaders were "agrarian intellectuals" and "agrarian politicians" who, originating from the town approached agricultural matters with the bias of the agrarian economist and the agrarian engineer whilst completely ignoring those non-material

factors of country life which cannot just be picked up but which are absorbed with one's mother's milk.

### THE PROBLEM

If we are not deceived, responsible agrarian political thought of our time is moving further and further away from the worn-out rut of views inimical to market economy and to competition, views for so long regarded as a natural consequence of the situation, the condition and the interests of small farming agriculture, until it became manifestly clear whither these views were leading, i.e., to a threat to peasant agriculture itself and indeed to just that spot which renders it invaluable, namely its non-material structure. It is becoming visibly clearer that we have reached a point where the agricultural problems of small farming appear as part of the general question, in which category do we wish to place economic life as a whole in the future; and since, apart from the sphere of self-sustenance, the sole choice lies between the principle of market economy or coercive economy (collectivism), which of these two principles ought we to choose? Now if for reasons which are familiar we decide in favour of the principle of market economy and against the collectivist principle what consequences are to be drawn from this for agriculture? A clear answer is not possible so long as we ignore one fundamental fact, that what exists today in most countries and in the most varying degrees, is in effect an agrarian régime which has taken to itself so many of the elements of monopoly, of planned economy, of centralised direction and of coercive economy—even where the small family farm is still in existence as such—that we must describe it as already collectivist. This agrarian régime is full of dangers and problems from whichever point of view it may be considered.

And it can be considered from several. Thus one can ask oneself anxiously what a régime of that sort would finally mean for society and whether departure from the principles of the market economy in such an important province as agriculture would not sooner or later transform the whole economic structure in a collectivist sense. One will ask further, whether sooner or later the critical point will not be reached where the non-agricultural portion of the population will no longer be prepared and may not possess the capacity to bear the burden of such an agrarian régime despite the astounding fact—and one insufficiently appreciated—that the population of the industrial countries have taken upon themselves almost everywhere without a murmur the painful sacrifices of dearness of living and state assistance in order permanently to fulfil the wishes of a sympathetic minority of

the population. This understanding for the elementary needs of the farmer evinced by this helpful spirit is particularly cheering and does great honour to the townsfolk. Probably it has never been more apparent than today, and we are all doing our best to maintain this feeling and to increase it, but we should not forget that it has cost great efforts to arouse it, that it might easily disappear again, and that in this as in craftsmanship true love cannot thrive in the long run without reciprocation. If the author were himself a farmer he hopes he would be sufficiently objective to ponder these matters and to feel very uncomfortable with things as they are, especially if he lived in a country which, like Switzerland, is far too dependent upon world economy to be able to shut out its agriculture from the rest of the world.

These are all disturbing questions of the utmost importance. Meanwhile it is now our task to consider the problem of the future agrarian order from a special viewpoint, namely that of the farm itself bearing in mind the oppressive experience of agrarian collectivism as we have observed it and to indicate the probability that the form most suitable to the inherent structure of this type of agriculture is not coercive economy in all its various stages and manifestations but market economy (combined with a strong measure of self-sustenance). Now it is particularly important that it is from this point of view that the problem has recently been considered in that part of the world, apart from Russia, where agrarian collectivism has been most developed, namely in Nazi Germany. The most important expression of opinion in this sense is a monograph by that eminent representative of agricultural economics at the University of Freiburg, i.B., Professor Constantin von Dietze, published under the title, "Landwirtschaft und Wettbewerbsordnung" (Schmollers Jahrbücher, 1942, vol. II). It is the voice of a disinterested economic expert from a country which at that time was not in the habit of encouraging expressions of opinion of this type, to which the modern and significant designation "Liberalistic" is so often attributed.

Professor von Dietze begins with the very proper observation that for the first three quarters of the nineteenth century the European farmers were in fact decided supporters of economic Liberalism and that during this period European agriculture had experienced times of the greatest prosperity. This political and economic conviction continued to be firmly held by the greater part of the European peasantry particularly in Denmark, Holland and North-West Germany when conditions as a whole had deteriorated towards the end of the century and an anti-Liberal outlook was rapidly gaining ground. There were three different factors which led to agricultural distress and which caused the peasant farmers to change their age-old and

fundamental views as regards economic freedom since the close of the last century according to Professor Dietze : (1) a sudden cheapening and increase in transatlantic agricultural production combined with considerable reduction in the cost of transport ; (2) a rise in the value of money and hence a general fall in prices ; (3) a further deterioration in the price structure owing to trade rings and industrial monopolies. The concatenation of these three factors explains the full severity of the agricultural crisis of that time, and it can be demonstrated as regards all three, that far from being the necessary consequences and accompaniments of market economy these represent, on the contrary, severe disturbances which an economic policy aiming at the market economy functioning without friction will have to combat. Prevention of considerable fluctuations in the value of money is an obvious aim of every rational economic policy having as its object the preservation of the economy of the market. The same thing applies as regards combating all monopolistic market manipulations or interference with the market, in which a well advised peasantry must feel at one with all well-wishers of a free market economy. Now as regards sudden changes of competitive conditions causing an agricultural crisis, it is incumbent upon an enlightened Liberal attitude to examine without prejudice, whether for overcoming distress measures may not be desirable which fulfil the double condition of being a conformable and adaptive intervention. But in any case the heavy artillery of agrarian collectivism is not required.

Professor von Dietze then analyses the objection that a competitive system must necessarily bring price fluctuations with it. This is of course the case, but the author rightly refuses to see anything disastrous in this for agriculture. Every branch of economy has in the last resort but the choice between stabilisation of prices or stabilisation of the quantity of goods produced. Only when it is possible to adapt the amount of production to fluctuating market conditions in such a way that both depression and forcing up of prices are avoided is it possible to effect the stabilisation of prices—and we might add, only then at the cost of a correspondingly greater instability for the remaining non-monopolistic and non-collectivist sections. A policy of continuously fixing the quantity of agricultural production with a view to stabilising prices is of course not feasible for natural reasons, so there will always be surpluses which can lead to most difficult problems in national and international economy as we have sufficiently observed in the latest agrarian policy in all countries. Added to this we have the further circumstance, which we will examine later, that cutting down production runs counter to the peasant family economy, thus it can only be achieved with increasing coercion and in the end will

destroy the genuine peasantry altogether. So our author comes to the conclusion that experience to date in this respect has considerably decreased the desire for fixed prices, a desire which existed comprehensibly enough in the minds of many farmers. The realisation has become more widespread that in the long run rigidity in agricultural prices is incompatible with thriving agriculture, since the intended security of the price structure must be paid for with other considerable disadvantages. "Security" which has exerted a great power of attraction over farmers all over the world reveals itself also in agriculture as what Shakespeare described in Macbeth as "Humanity's greatest enemy!"

Professor von Dietze is also quite justified in combating the view that it was the market economy as such which led to the inherent symptoms of decay in peasant agriculture, and he demonstrates convincingly what a superficial over-simplification this notion implies. Especially noteworthy is his remark that attempts to meet this deterioration through an external organisation of agriculture are much more suited to achieve the precise opposite of what is desired, since such attempts only accelerate and strengthen the symptoms. "A traditionalist outlook appertaining to family farming can exist and grow only upon the deepest foundations. But these foundations need not be destroyed through a competitive system." Whereas the inherent forces essential for the maintenance of the peasantry can be preserved and even strengthened under the system of free competition, a general system of coercion would completely shatter this possibility. And also what follows merits the closest attention. "The strongest pressure on agriculture and its methods of work is not exerted in a sound competitive system but by a forced industrialisation by means of state assistance or orders," or, as we might put it more clearly, in a semi or fully collectivised state.

One problem not touched upon by our expert on this occasion is that of *agricultural indebtedness*. Here also the incorrigible tendency exists of making a scape-goat of the free market economy instead of seriously going into the question of which particular circumstances have led to this over-indebtedness and how a repetition within the framework of a genuine competitive system can be averted. The statement that often enough an anti-liberal agrarian policy is connected with those special circumstances is constantly being brought forward and never refuted. There is assuredly no lack of experience which goes to prove that always when agriculture loses the economic guidance of the market and is led into inaccuracies through the deceptive security of protected prices in the matter of the precise calculation of the costs of production, inclusive of the highly important interest

on capital in land, both on account of change of ownership as well as owing to uneconomic investments by managements, there is always liable to be a risk of over-capitalisation which then leads people to represent a free market economy as the hereditary enemy of agriculture. In all countries one has seen that in the post war period it was those agricultural organisations which had become ever more inclusive with their hierarchy of "agricultural intellectuals" which functioned in this respect more as a stimulus than as a brake. Thus in Austria formerly, half in jest and half in earnest, people were in the habit of remarking with a snigger that during the debt crisis farms over 700 metres high were exempt since the experts of the agricultural experimental stations did not get up so far! However that may be, the following state of affairs represents a highly important problem. A principal cause of the critical state in which peasant agriculture is so often involved time and again is that over-indebtedness which is in itself closely connected with a permanent tendency to overvalue the land. Without this over-indebtedness peasant agriculture in the European industrial countries could maintain itself by good husbandry and a rational structure and also by means of increased self-provisionment, and the peasants could render themselves more independent of the market. Hence the solution of the problem of over-indebtedness already signifies to a considerable extent the solution of the agrarian problem. But in view of the causes of over-indebtedness a solution is thoroughly compatible within a free market economy even if subject to some appropriate state intervention.

The current notion that peasant agriculture and free market economy are barely compatible has been exposed as a mistake, and one which can prove disastrous for agrarian policy in future and indeed for economic policy as a whole, particularly in countries with a broad peasant foundation. I have already exerted myself in my book, "The Contemporary Social Crisis" to point out that there is no question of an antithesis here but of factors which go together. I am especially pleased therefore to be borne out in this by a competent expert such as Professor von Dietze. That we are treading the right path becomes fully clear when we demonstrate that it is precisely the monopolistic collectivistic organisation which threatens to wound peasant agriculture mortally in its inmost being in the long run. Here also von Dietze draws inferences which fully coincide with my own as discussed by me exhaustively in my Rockefeller Report, "International Economic Disintegration," (William Hodge & Co., London 1942). I regard it of importance that two wholly independent researches should have led to the same result.

Experience and consideration convince us that agrarian monopoly and agrarian collectivism have the effect, well-known to every expert

and one which we have already mentioned, of bringing about the paradoxical result of sharpening the crisis through the production of unsaleable surpluses if peasant production is not effectually regulated by the familiar methods of coercive economy (forced restriction of production or collectivisation pure and simple). But since peasant economy owing to its sociological structure opposes the strongest resistance to such regimentation and will hit upon ever new evasions in order to ensure the full exploitation of all members of the family to assure their incomes, the State instruments of agrarian collectivism will find themselves forced to employ ever wider and more formidable methods of coercion. In the beginning the peasant may console himself for a planned economy which is really anathema to him with the higher prices which this may procure him, but now in order to keep this feeling of consolation alive ever new demonstrations of the price-raising effect of coercion will be required. The peasant temperament—incidentally we regard peasant agriculture as the last great island of humanity which has not yet been fully regimented and domesticated and hence as so invaluable—as soon as it becomes accustomed to the new price level, or a set-back occurs, will strive increasingly to obtain its full rights and rebel. But sooner or later this rise in prices must come to an end since finally there must come a limit to the sacrifice which the urban population are able and ready to bear. This limit had certainly been reached in more than one country already before the war. Agrarian collectivism is thus faced with the following dilemma ; in order to attain its aims it cannot renounce planning and coercion. But planning, so difficult to control in peasant agriculture, presupposes a minimum of willingness to co-operate, and this is only to be counted upon so long as compensation will be forthcoming through rising prices. A moment will arrive when the patience and capacity for endurance on the part of the town dweller will be exhausted, and from this moment the execution of agrarian collectivism will be up against the increasing resistance of peasants who are no longer receiving encouragement from a further rise in prices.

If in view of this state of affairs the peasant finds himself confronted by a State determined to go the whole hog he will be completely submerged in a collectivised agricultural economy or become an unwilling state serf. And that is the end of farmers and peasants. Collectivism and peasant family economy do not in fact thrive together as our German expert has emphatically pointed out. And alas there is not the comfortable possibility of opposing to the extreme case of Russia milder forms of agrarian collectivism in the guise of something quite different. "Russian procedure," our author says, is worthy of general notice and instructive because it shows one possi-

bility of a very small number of alternative economic systems. With the increasing number of monopoly marketing organisations the elements of centralised direction and of coercion in the economic system as a whole will become ever more predominant. The syndicalisation of agricultural produce is bound not only to draw more and more upon the strength of agricultural management and to increase the armies of those who are fighting paper battles, but it must also endanger at last the whole foundation of the peasantry if consistently carried out.

The inherently anti-peasant effect of a collectivist monopolist agrarian order does not reveal itself only in being wholly unsuited to the structure of peasant family economy. It is just as bad in that it must undermine the peasant's satisfaction with his calling, a satisfaction based upon his relative freedom to choose his own destiny. Without this satisfaction in his work the continued existence of peasant agriculture is not possible. "This syndicalisation will so eat into the heart of it all that all pleasure in their calling will be embittered for the farmers and their relations. Amongst the varied branches of agriculture every real farmer who has his heart in his occupation will have his special favourite. If its cultivation is forbidden him he will none the less remain in agriculture for the sake of tangible money. But this 'tangible money' is usually more likely to be greater for the same output of energy in other branches of economic life. Thus absenteeism or at least indolence will be the consequence." One might add that everywhere agricultural groups (just like all other corporate groups) are exposed to the tendency to stimulate a type of thought actuated exclusively by the profit motive and making comparisons, and thus give further encouragement to indolence. This constant weighing up the material position of the peasant with that of the town dweller will end by breeding a mentality corrupt and destructive to peasantry, a mentality utterly opposed to what one has hitherto been accustomed—and rightly so—to value, and will rob the peasant of that feeling that he is living under wholly incomparable and invaluable non-material conditions. If this feeling should vanish then peasantry will completely disintegrate, a state of affairs which neither spasmodic attempts on the part of agrarian collectivism to raise the amount of "the tangible money" (in so far as this is indeed still their honest intention) nor measures for combating the flight from the land can stay. And what is more, this constant glancing at urban standards of life will drive the peasant family to such exertions that the whirl of the factory will be translated to the farm. "The grandfathers of the farmers of today worked hard—indeed often longer than is customary today. But their labour knew more frequent pauses and



was not so under the whip of a tempo dictated by machinery. A calmer planning and distribution of activity however is not possible for the farmer of our day unless he is prepared to renounce for himself and his family the standard of living enjoyed by the occupants of other professions which is constantly before his eyes." As a subject of no liberal but of a highly collectivised nation, in which, apart from Russia, agrarian collectivism was functioning more than anywhere else, our author adds, "In order to be able to offer others a similar standard of life, the country people, and especially the peasant women amongst them, must often exert themselves in a way which can offer them no satisfaction with what they have achieved, which indeed threatens the mother's health and which renders family life soulless." This tendency we might add once more is very greatly increased by the fact that town dwellers and country people come to know each other from a totally different angle. The holidays of the townsman and the outward façade of the town create an attractive picture of town life to the countryman, whereas the townsman who takes his holidays in the country gets to know the peasant when he is hard at work and in the midst of his real living conditions. Thus the peasant observes rather what is favourable in urban life, the townsman the unfavourable side of country life.

### CONCLUSIONS

It scarcely requires to be pointed out that all the considerations which we have set forth in agreement with a German agrarian expert upon the necessity of a free market economy for peasant agriculture do not refer to the exceptional circumstances of war which of necessity involve radical measures, but to the normal permanent régime to which we have to accommodate ourselves as prudently as we can. That agrarian collectivism is not only unsuitable and runs counter to the general interest, and that for peasant agriculture in particular it implies the gravest danger is a conclusion in the courageous and outspoken expression of which we would not wish to allow ourselves to be surpassed by our German expert. All extolment of agrarian collectivism as a new order full of promise is not in the least able to alter the fact that whilst the promises remain unredeemed it is accompanied by acute 'disappointments.

As regards the post war future one cannot sufficiently underline the vigour with which our German expert and observer demonstrated the well-balanced competitive system (but freed from the errors of the past) as the sole principle for a resuscitation of economic life as a whole

and for agriculture in particular. First on purely economic grounds : "a centrally directed economic management has, at least hitherto, shown itself incapable of bringing about a smooth functioning of economic life as a whole, and there exists even less likelihood that a permanent system which would be tolerable to the total development will arise out of sectional groups working in conjunction with and against one another." But "also from the point of view of non-economic sphere, the competitive system is the most likely to give back to the Law its proper energy and virtue. The rule of Law and collectivism with its no less arbitrary than impossible claims are irreconcilable. But for restoring the genuine rule of Law it is indispensable to give those who are active in economic life clear and wholly reasonable rules of conduct. This is alone possible in a competitive system which recognises the autonomy of individual economic activities."

Free market economy ("competitive system"), however, takes for granted the existence of courageous upright men who are prepared to accept responsibilities, i.e., men of a kind for whom collectivism has no use and therefore whom collectivism must crush with all the means in its power. But in agriculture, preferably of the peasant type, "it can be confidently expected that the will-to-live is still unbroken, to a life which requires courage of individuals and that this will-to-live, where it cannot make itself felt for the time being, will soon show itself again and develop. Who does not share this expectation must renounce all plans for the maintenance of peasant agriculture." Professor von Dietze concludes his monograph with the following summary :

"In the past and particularly in the course of the last fifty years, agriculture has scarcely ever adopted an independent attitude to the questions of the economic order. While the pioneers of the Liberal system could be met also in agricultural circles and in those circles which were anxious about agriculture, the representatives of agriculture and the agrarian politicians allowed themselves to be driven and then tempted by that development which, by the extension of monopolistic positions, undermined the Liberal order under the flag of free economy. They thought only in this way could they relieve the distress and anxiety which after 1918 afflicted agriculture and peasantry. Now as regards the future organisation for which people are striving, it is a question of seriously examining whether a continuance of the old way is likely to promise genuine and lasting success. It is a question of preparing and effecting an economic order which corresponds with the methods of peasant agriculture and one which bears in mind a smooth working of economic life as a whole."

I have been at pains to discuss the preparatory work for bringing about an economic order of the kind discussed above in my book "The Contemporary Social Crisis," and if critics imply that a simultaneous argument in favour of peasantry and a free market economy is a contradiction I would ask them to think it over again. Perhaps even the latter will finally come to the conclusion that this combination, far from representing an antithesis probably reveals the only method of preserving both peasantry and market economy from the maelstrom of collectivism.

That this does not signify a return to *laissez-faire* I hope requires no further emphasis. Rather the familiar situation in which we find ourselves everywhere today in economic life is but repeating itself in agriculture, a situation which compels us with iron logic to find a "third course." Peasant agriculture can exist neither under a régime of *laissez-faire* nor yet under a collectivist or sub-collectivist one of the type described here. The constructive agrarian policy which we would oppose equally to *laissez-faire* and to agrarian collectivism is so designed as to declare war upon monopoly wherever it may show itself just as it takes cognisance of competition in agriculture; by means of research, elucidation and instruction to give peasant agriculture a sound structure and one which corresponds with its nature and which does justice to its position in the scheme of things; and with all the means of self-assistance in conformity with a free market economy to strive to secure for the peasantry the highest measure of material and spiritual happiness and satisfaction. But in order to find the right path through all the details we require the advice of the farmers themselves. We turn to them and their leaders again and again, appealing to them to recognise the problem and with their expert knowledge to help us to discover the way to its solution. Who doubts the possibility of such a solution must himself finally give up peasant agriculture, for if things go on as they have been doing hitherto it seems probable that the day will come when we shall still speak of peasants with enthusiasm whereas in truth there will no longer be any, but all will have become wheels in the cogwheel machinery of the organised and collectivised social system.

---

## NOTES

1. (P. 183) *Entanglement of the whole economic system through agrarian collectivism.*

This can be seen particularly clearly from the example of Germany. (*W. Röpké*, "German Commercial Policy," London, 1934, p. 40 ff.).

2. (P. 183) *The Cruel Irony of Collectivist Peasant Reform.*

This cannot be better or more convincingly seen than in the example of the agrarian policy of National Socialist Germany. It is still possible to be suspected by stupid people of being a sympathiser with National Socialist ideas if one exerts oneself for the peasantry and peasant agriculture. The impression could scarcely be further from the truth. The very spasmodic attempts—attempts of a rhetorical propagandist type savouring of literature—to flatter the peasantry and to render them an exhibition-piece of political romanticism, together with this perhaps well-meant enthusiasm for peasantry on the part of some of the Nazi rulers, have not been able to conceal the fact that peasantry and the Totalitarian State are incompatibles. From the beginning it was clear that it would scarcely go better in the long run for the peasantry in the Third Reich than for the craftsmen and the small business people whose distress and desires were skilfully exploited for the acquisition of votes. As an early attempt to clarify the position see *W. Röpké*, "Fascist Economics," *Economica*, London, February, 1935, p. 99. The parallel between the fate of the peasants in National Socialist Germany and Bolshevik Russia is striking. Also in Russia the formation of a totally collectivised state took place with the help of the peasantry, whom attempts had been made to win over to the revolution with promises, but even there the peasantry became one of the principal victims of collectivisation. Both experiences confirm the reflection that the collectivised state is a tragedy for the peasants, that is to say for that class which is furthest removed from congestion and collectivisation and hence is the least able to endure collectivism. All farmers who are flirting with collectivism would do well to ponder this.

3. (P. 185) *The Prosperity of Agriculture in the Liberal Epoch.*

The fact that during this same period English agriculture suffered a reverse is largely immaterial. It is certainly true that peasants have almost disappeared in England but this was not as a result of Free Trade, because by that time there were scarcely any peasants left to be destroyed. Economic Liberalism should not be blamed for this but the century-long process of dispossession of the peasants which reached its highest point in the eighteenth century, described by *Oliver Goldsmith* in his poem, "The Deserted Village," in 1796.

"But a bold peasantry, their country's pride,  
When once destroyed, can never be supplied,"

On the other hand it is not to be denied that the first thirty years after the repeal of the corn laws was the period of the greatest prosperity for English agriculture.

4. (P. 191) *Constructive Agrarian Policy.*

To this comprehensive theme we would add a few observations which we hope will allay misunderstandings and misconceptions if such still exist. Above all we should bear in mind here the most deserving work which has already been performed hitherto by agricultural unions of every kind for a constructive agrarian policy of the kind we have in mind, and it appears to us to be only courteous in this connection to draw attention to an essay of someone whose work in other respects permits of only a very discordant judgment; *E. Lauer*, "Die Mitarbeit der landwirtschaftlichen Verbände bei den staatlichen Massnahmen zur Erhaltung des schweizerischen Bauernstandes," *Festschrift für a. Bundesrat Dr. Edm. Schultess*, Zurich, 1938. One should remember particularly that a constructive agrarian policy of this nature is in the sound tradition of those mutually useful societies which were founded in the eighteenth century. Amongst these the society founded in the year 1759 and called "Oekonomische und gemeinnützige Gesellschaft des Kantons Bern" is still fulfilling a very useful purpose even today. Further I would point out that the small peasant farm represents a special problem which leads to the conclusion that specific forms of communal business are suitable which are as little collectivist as communal land in the middle ages (communal village park for machinery, communal ploughing and sowing, every possible type of mutual assistance and so on). In this connection see *A. Studler*, "Güterzusammenlegung und Rationalisierung des

bäuerlichen Betriebes," *Landwirtschaftliche Monatshefte*, 1942, No. 2. And the book by the socialist, *Eduard David* "Sozialismus und Landwirtschaft" which, in contrast to prevailing Marxism, warmly supports the peasant farmer, is still of interest. Finally the expert opinion in Switzerland today seems to be gaining ground that the agricultural changes which took place during the second world war (better balancing of agriculture through increase of land under cultivation, better sharing of risks, better manure methods, drainage, consolidation of fields, instruction in more rational methods of management, modernisation in fruit growing methods, liberation from indebtedness, etc.) have already done much to bring about a great improvement. Thus Swiss agriculture has better chances as regards foreign competition now the war is over than before. See now, *K. Brandt*, "The Reconstruction of World Agriculture," New York, 1945.

## CHAPTER X

## THE ALLEVIATION OF BUSINESS CYCLE FLUCTUATIONS

## FUNDAMENTAL CONSIDERATIONS

DECENTRALISATION of industry, more widespread self-provisionment and strengthening of the peasant core of national economy, in short everything which has occupied us in the foregoing chapters, serves the great purpose of giving to society and commerce greater depth, of preserving these from too violent oscillations and so far as possible of increasing the stability of the individual in the face of fluctuations. The thought ever accompanies us that everything should be done in the contemporary whirlwind to give humanity a greater degree of effective and genuine security. We are emphasising these thoughts in particular, since the highly comprehensible and legitimate striving after greater stability in life which is shared by all of us, is seducing many to follow allurements which promise satisfaction of the need for security in forms which are highly deceptive and finally extraordinarily dangerous, forms which will but enormously increase congestion, proletarianisation, and collectivism and hence the very causes of increasing insecurity and instability. In the Beveridge Plan we met with one of these dangerous illusory solutions of the problem of security. Now we have to occupy ourselves fully with a further illusion, the apparently irresistible belief of so many that it must be possible with skilful manipulation to stabilise a highly differentiated economy at boom levels, to abolish cyclical fluctuations altogether and thus perpetuate that state of affairs which has been described by a phrase which has become popular thanks to the practice of German National Socialism and Anglo-Saxon theory (Keynes), namely "full employment." Here we find ourselves facing such a fog of misunderstanding that we must make the most strenuous effort to make our point of view quite clear and safeguard ourselves from the idiotic reproach that the great aim for the stabilisation of society does not occupy us to the same extent as it does the representatives of the type of thought we are criticising. We must repeat ourselves here once again and state that we are fundamentally far more radical and far less satisfied with mere appearances and sham solutions than they are.

Now the belief that we are free to desire something unpleasant or not as the case may be belongs to one of the most fundamental and widespread errors of our time. One means that one possesses the choice between A and not -A, whereas one has only the choice

between different varieties of A ( $A_1$ ,  $A_2$ , etc.). In other words, one fails to observe the higher category of which the phenomenon opposed is but a sub-category. In truth, very often in economic and social life it is a question of what is inevitable in its essential nature and one therefore which leaves us only the choice whether we should prefer to have it in this or that variety. A lengthy treatise could be composed to the effect that it is a quite specific political and economic radicalism which lives exclusively on such a fallacy. One presumes that one is able to choose freely between an hierarchical and a non-hierarchical structure of society without taking into consideration that the hierarchical character plainly belongs to the ways of human society, which fact has been recently powerfully confirmed once again by the extreme example of Soviet Russia where upon the ruins of the old ruling class a new "ruling class" has promptly made its appearance. Hence we possess the choice only between a bad and a good hierarchy, between one built on privilege and one on social function. To take another example; one supposes that one can choose between authority on the one hand and complete freedom and equality on the other without considering that living together in society and genuine culture is inconceivable without the authority of the competent and our object must be to hinder the authority of the incompetent. Again others wax wrathful over the more or less brutal discipline which market economy and competition force upon us without realising that in the long run no economic system is able to dispense with strict discipline, that the anarchy of monopoly and sectional interests is only a short interregnum and that it is the discipline of collectivism to which we will have to submit in the end if we shake off that of the market and competition. In fact a lengthy and explicit enquiry on this point shows that the greater part of the reproaches which the socialists direct against market economy rests on the fallacy that the socialist state has not got to solve the very problems for which market economy has discovered its own and tried solutions in the form of competition, price structure, costs, interest and the regulatory function of profit.

This fundamental mistake of political and economic radicalism is manifest in the demand—expressed by the phrase which has so quickly become popular—for "Full Employment." It promises nothing less than deliverance from something inconvenient which is believed to be characteristic of market economy alone, namely from oscillations and changes in production and occupation and from the necessity of making allowance for these through alterations and adaptations. There is nothing new in regarding "under-employment" as unsatisfactory from every point of view and seeing the full employment of all who are capable and willing as the ideal. This is not only

nothing new but simply a matter of course. The novelty consists only that, by in coining the slogan "Full Employment" one harnesses that common agreement of all sensible people for that specific *method* which consists in considering the problems of adaptation and the restoration of economic equilibrium as non-existent and with all the means available doing away with the *results* of disturbance in the equilibrium (particularly its worst, unemployment) through more or less violent and mechanical measures without properly taking into account their intrinsic *causes*. It is our object here to demonstrate that this method of achieving what must obviously be a desirable aim is wrong. In fact it is an error which has this in common with so many other errors in that it misses its aim by wanting to anticipate it, like the man who can count least upon gratitude who gives merely to please himself, like science which simply loses its practical value when it is rendered immediately serviceable for the non-scientific purposes of practical life, in short, just as all those who, according to the Gospel, would gain their life only lose it. There is a lesson of bitter irony to be learnt from the fact that our world has become the more insecure the more people have talked of security, all the more planless and incalculable the more all is based upon planning, and that the worst economic crisis at the end of the twenties proved the answer to American faith in "eternal prosperity." This irony acquires a more tragic hue as we consider the close and intimate connection between the late war and the utterly ruthless attempt of just such a policy of "full employment," and view the situation as it is today to which this attempt has led. Security is humanity's most elementary and legitimate desire but there is no "short cut." It cannot be "organised" and it cannot be guaranteed once and for all by means of some sort of Maginot Line, or without our co-operation. Indeed organising and guaranteeing everything is the surest way of finally coming to grief. Security is only to be had at the price of constant watchfulness and adaptability and the preparedness of each individual to live courageously and put up with life's insecurities.

Whilst critically analysing the slogan "Full Employment" we are conscious of taking upon us a highly thankless task, since these words became immensely popular as the expression of passionate desire amongst the widest circles after the unforgettable experiences of the devastating economic crisis which afflicted the world fifteen years ago. Comprehensible as this may be, nevertheless it is inevitable that a dangerous simplification of view should accompany it, an attitude which lightheartedly jumps the extraordinarily complicated problems to be solved and which leads to the fatal sophism here as elsewhere, that the mere urgency of the wish already assures its



fulfilment. It is particularly in regard to this sphere of business-cycle theory—the most difficult of all in economics—that the simple is misleading and all doctrinairism wrong. And all experts will agree that it is a problem which must be taken with the utmost earnestness, which must be studied apart from all political passions and prejudiced opinions and that it is the least adapted for mass discussion. We must avoid the stupid habit of hurling reproaches of obduracy and ill-will at those who swim against the popular current instead of appreciating them as men who value their responsibilities, which both knowledge and experience involve, higher than cheap popularity.

#### A COMPLEX PROBLEM WITH A SIMPLE FOUNDATION

If we would consider within the framework of these general considerations the problem of economic disturbances it is clear that these represent the heaviest burden to which our economic and social system is exposed. No less clear is it that only blindness could deny the urgent necessity of lessening them so far as it lies in our power and to make those which remain over as tolerable as possible. Understanding and heart feel the challenge again and again through the paradoxical circumstances of an economic depression that reveals at the same time scarcity and unused possibilities of production, and it is understandable that a hundred years ago the first serious attack on the market economy which was then developing was based on this challenging experience, an attack which in force and danger has only increased since. But meanwhile the basis of our considerations has shifted considerably, as we have already seen in another connection, since we have made practical acquaintance with the denial of market economy and its supersession by collectivism of every kind.

These experiences with collectivism have disillusioned us in a terrible way and shewn that injustice has been done to the market economy. Earlier, people would have been accustomed to see the cause of economic disturbances in the faulty construction of our economic system or in deficiencies in economic policy and expected their prompt removal by the pulling of some lever or other. But we can no longer be satisfied with this. Faulty construction and deficiencies certainly play a regrettable rôle and indeed now and then there are phases of the business-cycle where bold and well-calculated measures exercise a beneficial effect on the whole economic process. But now the decisive thing seems to us that the problem of equilibrium and its disturbance does not belong only to market economy but is one which affects the collectivist state just as severely, though it can even be solved by it only in a worse manner and at the cost of the most elementary

freedoms. In both cases we find ourselves facing a similar state of affairs. We live in a society with a highly differentiated division of labour, in which everything will be determined by circumstances which will be favourable today unfavourable tomorrow in turn. So long as humanity, nature and society have not degenerated into rigid machines, so long as there exist new inventions, fluctuating harvests, changes in consumption, migrations of population, birth and death, wars and revolutions, good and bad governments, old and new laws, changing taxes and state expenditure, confidence and distrust, and this or that alteration in the currency an adaptation must always be made to the altered conditions in the equilibrium.

It thus emerges that market economy is only one of the two possible answers to the question of the economic order and co-ordination, which exists under every social system. Its essence is *spontaneous* order, whereas that of collectivism is characterised by being an order of compulsion. Both systems have to face the problem of continuous adaptation and achieving a balance, since both have to combat the difficulties of an economic existence which is characterised by considerable division of labour, an extraordinarily complicated technique, a highly developed social differentiation and which thus distinguishes it from the simpler economy of the pre-capitalistic age. Now it was the market economy and not collectivism with which modern highly differentiated society made its appearance in economic history. Thus the optical delusion came about that in the matter of disharmonies springing from this social differentiation—which distinguish both market economy and collectivism equally from the economically earlier stage of undifferentiated economy—market economy was to blame. In this way what is in reality the final consequence of division of labour, of technique and of differentiation, i.e., of things which collectivism definitely takes over and with which it will also have to come to terms, was held to be an effect of the faulty construction of “capitalism.” Here as there, disturbances in the equilibrium, fluctuations, convulsions, and inequalities of all kinds are the order of the day, and here as there, they necessitate adaptability, changes, and more or less painful friction and losses, apart from specific disturbances which result from the structures of both systems.

It must be evident to everybody that however we may attempt to organise economy, disturbances are inevitable in an economic system which rests on such countless and incredibly complicated and inextricably intertwined individual factors, which exhibits such a close interdependence of every part, which is governed by so many presumptions, which is so entangled in a network of international relations and which is so at the mercy of a technique so highly

developed, so round about, so complex as that to which modern humanity has subscribed. Market economy and collectivism in no way differ from each other, in that the sudden accumulation of investments in any economic system—whether it be in a “capitalistic” boom or under a “Five Years Plan” in a collectivist state—must bring with it a severe disturbance in the equilibrium leading to painful developments, and for reasons which are familiar to every one acquainted with the modern theory of cycles, amongst which the so-called “acceleration principle” stands first.

If disturbances in the economic balance are common to both market economy and collectivism since they derive from sources which are common to both, both have to face up to things in the same degree and in the same way, in that they must re-establish equilibrium by making adaptations. The less we hear about “stabilisation” and “full employment” and the more of equilibrium and adaptability, the more stabilisation and full employment promise to be permanent and genuine. *This necessity for adaptation will not be spared us in any economic system whatsoever.* Now there is this difference between market economy and a collectivist one, that each system effects its adaptation in the way most suited to its character. The market economy will do so spontaneously, collectivism by means of coercion and authority. Each of the two methods has its peculiar advantages and disadvantages; spontaneous adaptability possesses the advantages of freedom, pliability and precision, but the disadvantages of painful and often unnecessary losses and hardships in individual cases and of a lengthy trial period for the new economic situation; the adaptability of coercive economy has the advantage of promptitude, and the effective combating of symptoms (by means of hasty and brutal liquidation of the workless), but it possesses also the immense disadvantages of coercion, the complete rape of liberty and indiscriminate brutality, the awkwardness and the difficulty, indeed the impossibility of achieving a genuine and lasting equilibrium. No one who considers all this intelligently and without prejudice and calls to his aid his ultimate political and moral convictions can have any doubt in whose favour the balance is inclining as he weighs up these several advantages and disadvantages with one another. Adapt ourselves we must in any case whether spontaneously or from compulsion. Thus the more we abjure market economy and shun spontaneous adaptation so much the less chance have we of evading coercive adaptation and we shall be driven into collectivism. In that event we shall be cured too late of our illusion that we had the choice between adaptation and non-adaptation and our illusion about collectivist governance which disposes of people and the powers of production in a very unsentimental way and is unexampled in its

inconsiderate methods with human "freight" and its depression of standards of living. We shall learn that we possessed only the choice between different types of adaptability, the spontaneous and the compulsory, the genuine and the deceptive, of that which has confidence in human activity and freedom of choice and of that other which represses human beings into passivity. What we complain of in the fate of the unemployed under a market economy, will appear to us as mere child's play in comparison with the ruthlessness with which the collectivised state will handle people without troubling to enquire over much about their claims for pay or their desires as regards their particular occupation or domicile. Then it will emerge—again too late—that where the market economy beat us with whips the collectivist coercive economy is scourging us with scorpions (1 Kings, xii, 11)—with those individuals for our task masters who, by means of appealing to our lack of intelligence made the collectivist state possible, and who, hungry for power had previously assured themselves of a seat at the authoritarian table. The exchange will appear all the less acceptable to us the further we have advanced in mastering the problem of adaptation and unemployment and in such a way as to make them humanly tolerable.

### SOME OBJECTIVES

We should be deceiving ourselves and others were we to believe there could be such a thing as an economy free from disturbances or without a certain amount of fluctuations in occupations, or free from "good" and "bad" times. If we should still believe in such an impossibility and act accordingly, we should reap the storm. We ought to do all that is humanly possible and more to lessen these fluctuations and render by neighbourly love and politico-economical tact their brutal effects on individuals tolerable, however demagogic it were to deny that a painful bit over will have to be borne.

Out of these sober considerations guiding principles have gradually emerged to indicate the path to a rational policy of economic stability. The first is of the most general kind. It shows us how great an over-simplification and how hopelessly exaggerated it is to attribute economic disturbances solely to a disproportion in the abstract total volumes in economy—total purchasing power, total production, total savings, total investments and so on—and to be able to remove these by means of an equivalent juggling with these abstract total quantities. This thinking in abstract total quantities—a principal fault of the school influenced by the late Lord Keynes—overlooks that an

explanation of the sort can apply only and partially to quite special circumstances to which belongs the "Great Depression" of a decade ago, but as a general rule the problem of adaptability is far more of a qualitative nature, one which has to do with individual disproportions; individual firms with workers producing the wrong things, firms producing uneconomically, or in the wrong place, or which have got into difficulties owing to the vagaries of politics, individual wages which are too high or too low, individual occupations which are overcrowded or the reverse, important branches of production (key industries) such as the building trade, agriculture or the export industries suffering from specific difficulties which then lead to monopolistic obstructions that interfere with the economic process at important points, hindrances to international trade and other things of the sort.

The habit of thinking in total quantities—"global thinking" to which the alluring colour of exactitude can so easily be lent by the use of mathematical symbols—and this predilection for equations which so happily solve themselves, tempts us to ignore problems of structural adaptability and to see the cure in imposing total measures above all of a monetary kind instead of going the inglorious and prosaic way—one which is calculated to offend vested interests—of finding individual solutions, of facilitating adaptations, and removing individual hindrances to adaptability. It is a technocratic and autocratic way of thinking which in face of equations and total quantities no longer sees the true economic connections in all their highly unmathematical subtlety, and whose significant vocabulary—"economic circuit," "purchasing power," "volume" and so on—has no place for the decisively concrete things and least of all for human beings with wills of their own, except as mass particles whose consumption one "directs," whose labour one "places," whose purchasing power one "skims" and whose total income one regulates centrally by weighing up the corresponding "volumina." But if one ignores the necessity for adaptation and would still keep up employment at all cost this can only be at the cost of a continually rising and unproductive expenditure of economic energy, increasing injury to the forces of spontaneous adaptation and finally of inflation, the public realisation of which one will seek to postpone with all the means of an increasingly collectivist character (non-conformable) such as control of foreign exchange, price and wage decrees, limitation of consumption, and control of investments. Evasion of adaptability means adding to all the structural problems and disproportions and finally flooding the market with additional purchasing power, thereby drowning the market economy. And then the problem of adaptation will again

raise its head far more peremptorily and threatening. It will be almost the only one which one has not been able to drown.

We gain a further important picture which we must always bear in mind in every discussion of business-cycle policy. We orientate ourselves correctly only if we picture every labourer out of work as a man who finds himself on the way from an occupation which has become economically untenable to one which is economically sound. The path may be more or less tedious and difficult or even impassable sometimes but its direction is unequivocally determined by its point of departure and its final destination. The dilemma of every crisis policy, indeed of all state aid for a branch of production which has got into difficulties, consists in its being on the one hand irrational and generally in the long run impossible to stop those who find themselves en route or to lure them on, and worst of all is it to waft before their eyes on their wanderings in the desert a Fata Morgana. But it is on the other hand a simple gesture of humanity and prudence to see that these wanderers do not suffer physically or morally or even come to grief. This dilemma can be solved only if, keeping our eyes looking ahead to our final objective and not backwards to the point of departure or upon the provisional halting place, we grant the assistance which seems essential. It will have been admitted that there exist periods of particularly sudden and extensive unemployment and also of exceptional fogginess as regards the final aim, situations in which there is scarcely any other choice open but to render assistance in the form of well-thought-out activities for the creation of employment. It is possible that in the future we shall see ourselves facing such situations in many countries and it would be wise to prepare for this in advance, but it is certainly not without hesitation that we should attempt this without the requisite sense of direction and we should be circumspect in view of the dynamite which we are handling.

At this point we do well to recall to mind that spontaneous adaptation corresponds with market economy but compulsory adaptation with collectivist. We have to choose between the two types of adaptation and in making our choice we decide at the same time either in favour of market economy or of collectivism. This is a decision which implies a choice in favour of a liberal and democratic social system or its opposite. If we are agreed that compulsory adaptation is to be dropped we must of necessity put up with spontaneous adaptation. Meanwhile the philosophy of the "Third Course" fits in here. Spontaneous adaptation does not necessarily imply that we can fold our hands and let things take their course, on the contrary a whole heap of measures ("conformable") but which we are not going to discuss here, are at our disposal to facilitate, to hasten and to humanise

this adaptation, and of these measures the fullest and wisest use must be made, whilst bearing always in mind equilibrium and adaptation but not "full employment."

Now from the policy of economic stabilisation there develops a specific and extremely important task in connection with those oscillations of economic life as a whole which we describe as *intrinsically cyclical* from their regular sequence of prosperity and depression and which are mainly the outcome of a characteristic rhythm of "under-investment" and "over-investment" (according to the "Over-investment Theory"). The main task of such a cyclical policy will be to combat in their origin these total disturbances in equilibrium which spring from the dynamic of economic life itself. If a cyclical crisis is to be viewed as a materially inevitable reaction to the previous boom, a reaction in which the restoration of the destroyed equilibrium is accomplished with distress and loss, it follows that we ought not to allow too great an expansion of the boom but that we should control it at the critical point (the "upper critical point of the business-cycle") through appropriate measures (a brake on investment, raising of taxation, a retrenching in national expenditure, raising the discount rate, "operations in the open market" through the sale of securities by the central bank, etc.). If such a recipe appears to some as rather out-moded it is as well to remember that the 1929 crash in the United States, out of which the final world crisis developed, followed exactly such a boom which had exceeded all measure and which gave all the initiated experts the feeling that they were sitting in an express train that had lost its driver. A situation might very easily arise again in which it would be necessary to prevent a boom of that kind from developing however unpopular throttling a boom might prove. But once the crisis or depression has set in owing to the initial over-investment which was its cause not having been retarded soon enough, the task consists in facilitating and hastening as much as possible adaptation and the restoration of equilibrium, in preventing an unnecessary acuteness with its senseless losses, and making the consequences of the depression as bearable as possible for individuals. Experience and reflection will place at our disposal a number of possible measures.

### THE SO-CALLED "ACTIVE BUSINESS CYCLE POLICY"

The crisis of 1929 from which everything else derived its origin up to the present day was, as we have said, finally the inevitable reaction to a gigantic boom of the customary type. Then, meanwhile, kindled

by storm winds of every kind, the depression waxed into a devastating world conflagration that found ever fresh nourishment, which assumed ever new forms and which has not even yet been extinguished. The fire in the rafters found access to the dynamite in the cellars, dynamite which had been collecting in the world ever since 1914 in ever augmenting quantities. This coming together of a cyclical over-investment crisis with a whole heap of more or less "fortuitous" structural causes (partly of a non-economic description) was the real fatality which, in the hands of brainless statesmen and economic leaders took its course and reached its culmination in the international credit crises of 1931 to 1933, from the closing of the Oesterreichische Kreditanstalt and the Darmstädter Bank, the German credit crisis and the sacrifice of the Gold Standard in England, to the devaluation of the dollar in the Spring of 1933. In this economic panic, political radicalism and the wild thirst for experiment on the part of governments thrived, mutually outbidding one another but similar, in that both increasingly and permanently undermined the confidence of the business world. But since the reassumption of investment activity, and with this the overcoming of the crisis, depended upon just this non-existent confidence, a vicious circle was created in which the crisis, far from finding its own solution went from bad to worse causing new disturbances which rendered it only more acute. Hence as a "cleansing crisis" ("Reinigungskrisis") i.e., as a process of adaptation and rehabilitation of the equilibrium which had been destroyed by the previous boom, it was useless and degenerated into that crisis—for which in 1933 I suggested the term which has since been generally adopted—the "Secondary Crisis."

This disastrous course of the great depression was nowhere more disastrous and at the same time more obvious than in Germany. One should never forget that the crisis first developed into a catastrophe there when the victory of extreme political radicalism (National Socialists and Communists) in the Reichstag voting of September 1930 suddenly challenged the foundations of the nation and of the economic system, and therewith hopelessly shattered all confidence. It was a victory which was a consequence of the political rather than the economic crisis. This state of affairs then repeated itself on the international plane, upon which now the giant threat of totalitarianism was to play the same intimidating, paralysing and disintegrating rôle vis-à-vis the rest of the world as the giant threat of the totalitarian parties striving for power had just done within Germany itself. No one will be able to write the history of that ever memorable epoch without showing how the wave of political radicalism in Germany, which could not be considered in any way as a consequence of the



depression which was then just beginning, had its origin in politico-moral factors. But the second and by no less important chapter of this gloomy story should enable us to realise how the economic crisis in Germany, which was becoming more acute all the time, first created the economic and social conditions in which National Socialism, supported by fortuitous circumstances and disastrous mistakes of every sort, finally came to power.

It was in these circumstances that it became evident to a circle in Germany to which the author himself belonged and whose ideas found official expression—if not alas official acceptance—in a document of the Braun Committee which had been set up by the government, that a fatal vicious circle had arisen which ought to be broken at all cost by bold and energetic measures of business-cycle policy, so that together with the economic crisis the political situation could be controlled. We realised that we had to deal with an emergency with which it would no longer be possible to cope on the familiar orthodox lines of the accepted business-cycle policy and that an “active business-cycle policy” would have to be embarked upon. Simultaneously in several other countries and independently of our own views the same thought was maturing, one which was obviously in the air and imposing itself upon every thoughtful person. I can remember very well that evening when the basic idea of this business-cycle policy became clear to us, but we all immediately agreed that it was dynamite which we were handling and that it ought not to be allowed to fall into the wrong hands. A pious wish—as the original inventor of dynamite must have discovered in his time. Starting from the conception that diminution of investments without simultaneous increase in consumption (i.e., recession of savings) is the intrinsic cause of stagnation, but that a spontaneous resumption of investment under such conditions as the disastrous reciprocal effect of crisis and the disappearance of confidence was not to be thought of for the time being, all these circles in different countries were unanimous that the marasmus must be overcome through the shock of public investments—what in Germany was called “initial ignition” at my suggestion and in America “pump-priming.” That was the idea behind an “active business-cycle policy,” which then stood godfather to Roosevelt’s “New Deal” and also for the crisis measures begun under von Papen’s government and drastically continued by National Socialism.

In this way, to the stock of the accepted ideas of a rational business-cycle policy a new one was added which applied to the quite exceptional circumstances of the crisis which had degenerated into a “secondary depression.” It held that in certain circumstances it might be deemed suitable, nay, urgently necessary in the “critical

lower point " of the business cycle to introduce active measures to combat the disproportion between savings and investment and in this way hasten the resuscitation of the equilibrium already set in motion by the crisis. But it does not maintain that a policy of the kind should be embarked upon already during the "primary crisis" which immediately follows the boom, and it implies even less that it should be misemployed for the neck-breaking attempt to keep the boom inflated for ever. An "active business-cycle policy" of this nature, of which idea the author more than a decade ago in conjunction with others was a pioneer in face of strong opposition from people who today exaggerate radicalism as formerly they did orthodoxy, bears a wholly exceptional character and is applicable to a doubtful situation. It is a particularly dangerous method which can be justified only by the very grave danger of a situation of the sort.

As such an *ultima ratio* "active business-cycle policy" should retain an important place in the machinery of business-cycle policy for artificially bringing about expansion of credit and for stimulating investment. But it must be accepted with great reserve and thus we came back again to the "wrong hands" into which such dynamite must not be allowed to fall. We have now to occupy ourselves with a misuse of the notion of the "active business-cycle policy" which clearly reveals what counts today as a policy of "full employment."

Above all we must take into consideration that a policy of economic expansion through public investment can only count as successful if it manages to overcome the dead centre by means of its shock effect and thus to set going again the process of the market economy. Only after it has fulfilled its purpose can it be stopped again without damage to the national economy, for if the shock effect fails with private investments, it must be perpetuated. Success can only be expected if it is undertaken with the utmost caution, with wise protective measures of every kind and with the greatest regard for the mechanism of market economy, and if simultaneously everything is done to foster an atmosphere of confidence, and everything omitted which might cause anxiety or mistrust. That is the reason why only in a few cases hitherto—in Australia and also in Sweden—has it been partially successful but elsewhere has ended in disaster; and above all where it has been carried out with the utmost energy, namely in the United States and Germany. It is uncommonly instructive to look into the reasons for this lack of success. It appeared that the shock action which should take effect as a result of public investment failed, so that *no true market prosperity* but only an *artificially continued prosperity* developed which was bound to come to an end the moment the state injections of purchasing power upon which it depended, ceased. Not only did public invest-

ment fail in its object of setting private investment going again but it had the tiresome tendency—one which did not enter at all into the mathematical mechanical scheme of the technique of circulation—of still further restricting private investment. Thus it resulted that *bad investments displaced the good*, and the government, unless it wanted to put the helm over in a repentant mood and confidently leave the field open to private initiative as before, would be forced not only to maintain its continuous injections of purchasing power but also to increase these.

In this way the government must be drawn with progressive speed along the slippery slope of collectivism. For the more it takes over the "guidance" of the economic system, all the less capable of functioning must what remains of the market economy become, and the greater the necessity to submit even this remainder to economic "guidance," that is to say, to the collectivist economy of coercion. Sooner or later in many countries the critical point was reached at which the government had to decide whether it should take under its collectivist control what remained of the market economy which had now become incapable of functioning, or else resuscitate market economy along the whole line. It must venture either the forward jump into full collectivism (with all its political consequences) or possess the courage to turn back. National Socialist Germany which had reached this critical point about the year 1935, was obliged, since the whole policy of the Third Reich precluded genuine "priming," if it did not desire to retire, to decide in favour of a bold jump forward, whereas in the United States people oscillated hither and thither until finally the collectivism of war put an end to indecision. In France, the then Prime Minister Reynaud, after the crisis policy of the popular front government had become stuck at the same critical point, made the attempt dictated by clear insight to return to a liberal policy. Why the whole mechanism failed in the United States as in Germany is explicable for totally different reasons—here as there. One might say that over there the wrong economic but in Germany the wrong political total combination ought to be made responsible. From the false economic position in the United States three principal faults are to be noticed ; (1) The unnecessary and wholly confusing devaluation of the dollar ; (2) the unwise mixing up of business-cycle policy with an anti-capitalistic-structure policy ; and (3) the policy of immediately increasing the purchasing power of the people (Purchasing Power theory), which, by anticipating the final result of a fortunate business-cycle policy rendered this final result inoperative and is thus worthy of inclusion amongst the fundamental errors of radicalism mentioned at the beginning of this chapter.

### "FULL EMPLOYMENT" IN NATIONAL SOCIALIST GERMANY

Now to turn to the case of National Socialist Germany which for a time enjoyed the admiration of an uncritical world, is particularly instructive, since it was here the original policy of "pump-priming," after its lack of success, was carried over with thoughtless energy into a policy of continuous "full employment at any price." But this had consequences which revealed more clearly than anything else—except their foreign policy—the irresistible tendency of such a government to stake the future for some more spectacular momentary success and whilst dreaming of such successes to incur progressively increasing sacrifice.

Two reasons made it inevitable that this policy should lead to collectivism. The *first* is already known to us: If a government after the attempt has failed to set in motion a genuine market prosperity by the action of public investment would in spite of this maintain production and employment, it is obliged to replace the reactions of market economy more and more through the influence and compulsion of the state, and instead of withdrawing which would have corresponded with the original intention of the initial "pump-priming," to assert itself ever more in the economic process. The *second* reason becomes plain when boom and full employment have been achieved by this, if artificial, method. No one has ever seriously combatted the view—not even the late Lord Keynes—that during a continuous boom strong forces are always appearing which, whilst destroying economic equilibrium, are leading up to its termination sooner or later and making an adaptation requisite. Amongst the causes of the inherent instability of a boom about which the literature of the theory of business-cycles has much to say, we would name the "acceleration principle" to which we have already referred, the inevitable rise in costs, the bottle-necks of production and increasingly restrictive factors, psychological reactions and international repercussions. An economic policy which would surmount these things finds itself forced to undertake ever stronger measures to suppress those reactions which are becoming increasingly manifest, to embark on exchange control (envisaged with naïve placidity by the promoters of "full employment" in democratic countries), and for the control of wages, prices, capital, investments, and consumption and a hundred and one other things. Ever more liberty, more functions of market economy, of well-being and economic reserves must be thrown into the bottomless pit; ever more numerous become the overseeing, planning, commanding and punishing officials; direction becomes ever more extended, punishments more Draconian, the bridges to what remains of the external world ever narrower, and

the strength and nerves of the population ever more strained. This lashing succeeds time and time again, but in the end the moment must come just as with misuse of the drug "pervitin"—so symbolical a medicine for a régime of this type—when there will be breakdown however long this may be postponed, and the longer it be postponed so much the worse will it be. At first such a policy of "Full Employment" will lead to collectivism, but even this must finally come to an end, in that the state which has assumed full responsibility for the economic cycle will become itself involved. We are fully justified and confirmed in our views by the National Socialist experiment in Germany. I wrote an article in this connection in 1939 entitled "Totalitarian Prosperity—Where does it End?" for a New York periodical, "Harper's Magazine," from which I am now giving an excerpt as follows:

"... But it is now, after full employment has been achieved that the real problems and even dangers begin. Up to this point the means for the additional investments could be obtained by credit expansion without inflationary consequences, since the idle reserves of manpower and productive capacity made it possible to increase production as rapidly as the circulating media increased. So far, credit expansion is compensatory, not inflationary. Moreover the limits beyond which credit expansion must not be driven without the danger of inflation may be considerably widened by a severe exchange control, and by ruthless efforts to keep down wages and prices. But although the limits may be made elastic they cannot be stretched indefinitely. Sooner or later it has to be realised that the ultimate limits of this policy have been reached. Then we have an *entirely new situation* in which three courses are open.

The first course is to stop the wave of investments and to run the danger of a severe economic crisis which such a sudden stop is bound to involve. The second course is to continue the credit expansion, which now means inflation pure and simple. The third course is the most promising; to try to preserve full employment without inflation, by pumping the means necessary for further investments out of the existing volume of general purchasing power. This means that, by force or persuasion, money has to be taken away from the consumers.

Is this last course likely to lead to stability? That is the question on which everything hinges.

As everybody knows, the making of capital investments means the use of productive forces for constructing new factories, installing machines, or building houses, instead of for producing consumption goods. The more is being invested the less can be consumed. A nation has to save in order to increase its equipment of machines, factories and roads.

But does the nation really have to save? Or is it not conceivable that, under certain conditions, the very increase of investments, by bringing about prosperity in all lines of production, will increase the national income so that now even more can be consumed than before? That is, indeed, not only conceivable, it is actually the regular feature of every business boom up to that point where the idle reserves of labour and productive capacities have been absorbed by the increasing economic activity. These idle reserves make it possible not only to finance an increase of investments by credit expansion but also to increase consumption. We have here the rather rare case of a cake which grows larger precisely because we are eating it. Small wonder, therefore, that this must appear to most people an incomprehensible miracle. It is nevertheless what happens during every boom period. The idle

reserves of productive forces represent something like a fourth dimension, allowing all kinds of conjuring tricks.

This idyllic stage, however, comes definitely to an end after full employment has been reached. The fourth dimension has disappeared and now investments are openly rivalling consumption. The magic cake has changed back into quite a common one of which we cannot eat a single slice and still have it. The further investments which are being made amount now to a real deduction from what is available for consumption.

That is the reason why, from this moment on, further credit expansion is bound to have inflationary consequences, since the rise of prices becomes now the way to compel consumers to restrict their consumption. We assume, however, that this is the course which the government does not want to follow. Then the restriction of consumption has to be contrived by the normal means of raising loans or of increasing taxes or of both; in short, by persuasion or by force. That is the point at which the German Government finds itself now.

What are the chances of arriving thus at a state of *permanent* full employment? In answering this question it must be first admitted that the boom itself, however contrived and artificial, has by increasing the national income largely created the fund which may be expected to pour out the higher tax returns or savings put at the disposal of the government. For a while, therefore, no great difficulties are to be anticipated. But for how long? It is here again that a fundamental difference between the first "compensatory" phase of the boom and the consequent phase of full employment has to be noted. Whereas, during the first phase, additional investments really made for easier money and capital markets, now, on the contrary, they mean a real tapping of the available capital resources and therefore a tightening of the money and capital markets. During the first phase investments were part of the machinery of credit expansion; during the second they are really consuming credit. The first frosts of financial tension will become noticeable; the interest rate tends to rise, the stock exchanges show an inclination towards bearishness, the banks cannot move as freely as before. And the apparent impossibility of doing anything to stop these tendencies—except by inflation in whatever disguise—is bound to give the first shake to the belief in permanent prosperity. There is no reason why, after these frosts, there should not follow some warm Autumn days, even if no veritable inflation is set in motion; it is clear, however, that the country is going into the winter season.

The problem which has to be faced now is simply this: is it conceivable that the total volume of purchasing power may be tapped by taxes and loans to such an extent as to keep up permanently the investment activity of the boom? In other words: Is it possible to restrict to the necessary amount that part of production which is catering to immediate consumption? Can the workers, the iron, and everything else be spared in this part of the national economy in order to be used for automobile roads, concrete fortifications, and similar governmental investments?

Now there would be no reason to be pessimistic in this respect if the part of total purchasing power which is claimed by investments of that sort were reasonable in amount and, what is more, represented a fixed percentage of the national income. It is precisely here, however, that the improbability lies. For a number of reasons known to every student of the theory of business cycles, every boom tends to gain momentum as it proceeds until, in this snowball fashion, a breakdown becomes inevitable. Every major wave of investments has the tendency to grow by its own momentum, since the increase of investments (construction, etc.) necessitates an enlargement of the industries supplying the goods needed for these investments, like iron, steel, coal, cement, machines, etc. The *scale* of investments is growing, and as long as the rate of increase remains constant or is even increasing the boom can go on. Vice versa: Even a mere slackening in the increase of investments may be sufficient to bring about a breakdown of the boom.

Now it is obvious that investments cannot increase for ever. Sooner or later, the movement must of necessity come to a halt; one must finally surrender before the stubborn fact that consumption can be compressed just so far and no farther.

It is easy to mount the horse of investments but difficult to get off, as this horse has the unpleasant habit of going faster and faster. One must bear firmly in mind that this must be true for each and every economic system, the collectivist as well as the capitalist.

All these are general considerations, which give only the bare outline of the most essential points. On purely theoretical grounds there will still be much scope for discussion and dissension. On the other hand, it is easy to exaggerate the importance of theoretical niceties in view of two facts which are aggravating the situation enormously and which belong inherently to the very essence of collectivist full employment as being practised today in Germany.

One of these facts is the purely *exhaustive and unproductive character* which a large part of the public investments will have even under the most favourable circumstances. Whereas, during the first "compensatory" phase of the boom, this is nothing to be really alarmed about, the matter gains an entirely different aspect after full employment has been reached and the shortage of labour makes itself felt. Now, unproductive public investments become sheer waste. This fact is likely to limit the possibilities of prolonging the boom.

The same is true of the second aggravating circumstance: the trend towards *autarky*, which is the more or less inevitable result of a policy of collectivist full employment pursuing its course regardless of foreign trade and the exchange situation. The effect of autarky is even more serious than that of wasteful investments. It is bound to set in motion a new wave of additional investments which tend to become ever more comprehensive and costly; and this waste is bound to reduce still farther the fund of capital and the labour reserves available for total investments and thus for continuing the boom. The invariable nature of autarky was well summed up by an English economist at the beginning of the eighteenth century: "The work which is done by few may rather be done by many." This means inevitably that the national fund of available commodities will be correspondingly smaller, or that more people will have to work and to work harder and longer, or both. In any case, autarky will have a strangling influence on economic life. And, sooner or later, the need for importing raw materials will become a very dangerous problem, which may jeopardize immediately the policy of full employment.

To be sure, there is no gainsaying the fact that the collectivist (totalitarian) state has its own and powerful methods for squeezing the utmost out of current consumption and out of the labour reserves of the country, and thus for prolonging the boom to the ultimate limit. The collectivist state can break all records in raising taxes, keeping down wages, lengthening the working day, speeding up the tempo of work and driving consumers into a corner. And the collectivist state can rightly boast of knowing the secret of how to mobilize by coercion the last labour reserves.

It should be obvious that, seen from this more fundamental point of view, the actual *financial difficulties* of the collectivist government are merely outward signs of more deeply rooted calamities. It is not without interest, however, to give some special attention to them. Now it has already been made clear that, unless the collectivist government turns to the *ultima ratio regum* of inflation, it will be compelled to raise bigger and bigger loans or levy higher and higher taxes in order to feed the moloch of full employment. That the amount of voluntary savings going into loans will prove sooner or later to be altogether insufficient is evident enough; every major boom invariably breaks down on account of this essential deficiency. If the government decides to feed the moloch by increasing taxes, then the more it does so the more savings will be diminished, and the worse the prospects will become. I have already explained why this second course—that of increasing taxes—can hardly bring about a stable equilibrium. Moreover, as taxes are increased, what is left of private initiative will become even less willing and able to invest. The more, therefore, the government puts the thumbscrews of taxation on the business world the more imperative it becomes for the state to take over the collectivist control of the economic process. In this way the economic system will get ever deeper into the mire of collectivism without coming really nearer to the goal of a stable equilibrium."

These remarks appeared a month before National Socialist Germany took the step of going to war with Poland and with this began the second World War. Readers will have understood what has been said implicitly : that the policy of full employment must finally reach a point at which all the available economic reserves will have been exhausted and there only remains recourse to abroad if the whole economic and national edifice is not to collapse, and that Germany had probably now arrived at that highly critical point. We do not know what would have happened if the world war had not broken out at that time, but we do know that the outbreak of the war with its huge initial German successes enabled the economic collapse to be postponed.

### WILL O' THE WISP OF "FULL EMPLOYMENT"

Thus appears when viewed in broad daylight and by calm scientific examination the sole peace-time example of continuous "full employment" which the world has so far seen. Discussing it in some detail is justifiable for two reasons : one, because the history of German "full employment" as we attempted to show, represents a highly important chapter of the great drama of our time, secondly, because this catchword has meanwhile hypnotised the whole world which completely ignores the fact that both experience and reflection are utterly against it. To hear the advocates of "full employment" in every country gives the impression as though it were something one needs only to desire without bothering to consult any scientific oddities, a long tried-out recipe which is only awaiting use. A confusion of thought worse than anything one can imagine, and perhaps the worst of all is that these advocates of "full employment" have done everything and are continuing to do it, to make this catchword a slogan for the masses and afterwards they produce this demand on the part of the masses as an imposing argument in its favour. In view of the publicly exposed results of "full employment" it is really going a bit too far to behave as though these provided any sort of example to be followed, especially when those we have had are of such a repellent character.

We now know what it is a question of. Not of making the attempt—likely to be successful only in special circumstances—in the depth of the depression to overcome the dead centre by means of public investments in conjunction with a credit expansion, something certainly very difficult though not impossible, but rather of an attempt to perpetuate a policy of this kind and to use it for the purpose of keeping the boom going in all circumstances. Our original theory of overcoming a crisis by means of public investments bears the same relation



to the doctrine of continuous regulation of the economic process as the behaviour of an engineer who, having no other means for dealing with a heavy thaw, blows up his river with dynamite, bears to the theory that all rivers should be regulated by constant explosions.

We know now that such a policy of mechanical "full employment" withdraws us ever further from market economy and is bound to entangle us in collectivism. Economic collectivism, and the destruction of the market economy with its elasticity, political despotism, the most severe disturbance of international economic relations, a grim autarky, consumption of reserves and impoverishment of the national economy, anarchy and inflation; that is the price which will have to be paid for the obstinate continuance in such a course.

If this warning is directed at those who believe that "full employment" can be achieved without having to pay the price of collectivism, this does not mean that those others who are ready to pay this price can hope for a stable and permanent prosperity. Even after the last remnants of the baggage of elementary freedoms have been cast away there exists an inescapable inherent law which opposes always fresh and always heavier impediments to collectivist "full employment," until even here there are no further resources once all internal and finally even all external available reserves have been consumed. There exist economic facts which are common to all economic systems so far as these represent the complicated character of the modern industrial nation. Now it is a peculiarity of the collectivist nation that it would forbid us to talk about it, since the prestige of its leaders is too flimsy to stand their promises being given the lie, an intolerance of which we have already had a taste in the blind fury over our outspokenness of some collectivists in the democratic countries. Thus in plain language "full employment" means not only that we have given up a kingdom for a horse but unhappily for a sick one, an "exchange" which not even a simple "Hans im Glück"—if we remember our Grimm's fairy tales—would have fallen for.

If it be demagogy to stir up the masses with a catch-phrase the pompousness of which is quite out of proportion to the problems involved and to promise more than one knows one will be able to keep after due consideration and the experiences familiar to everybody, the phrase "full employment" as understood and used today is obviously to be branded as demagogy and indeed of the most dangerous type and cannot be honourably used. And there are other reasons.

In the first place the phrase can be characterised as pure demagogy in that it would dupe us. What we mean is that someone might just as well and with quite as much right as those who are demanding "full employment" set going a national movement for "Full Nourishment."

We can now realise what thin ice we are being lured on to. Everybody will agree with the objective and desire that no one should go hungry in the land, and if nothing else is demanded but only that what is humanly possible shall be done to improve the average standard of nourishment and to give assistance in cases of individual distress, we should indeed still find the catch-phrase "Full Nourishment" unsympathetically droning, whilst naturally agreeing in the principle. But we should find it extremely annoying if our agreement be taken for granted and by sleight-of-hand transposed into the thought that the state must guarantee the population "full nourishment." We would say that it is not the "What" but the "How" which is in question, and that to burden the nation with the anxiety of providing nourishment for everybody signifies nothing other than the exact opposite of our social system, in short, communism.

We would rather that people said so openly and without exploiting our elementary moral sentiments. As with this "Full Nourishment," to which in these tumultuous times inventive heads might add also the catch-phrases "Full Dress" and "Full Amusement" and a lot more, so it is with "Full Employment"; it is a question not of "What" but of "How"; and in the final instance of whether we should leave the business of getting work, bread and clothing in principle to the individual or to the authorities. In principle, we said, all reasonable economic and social policy turns on the degree in which the community is able to lighten burdens which the individual intrinsically has to bear. That is the point, and it would be a good thing if co-opting goodwill and unequivocation we could get back to it and did not burden the discussion with tawdry words which only produce confusion and disruption, instead of encouraging people to work together.

Furthermore, it is no mere pedantry to draw attention to an inexactitude of the expression "full employment." It lies in the generally admitted fact that "non-employment" can mean something very different, namely, besides the pathological mass unemployment of long duration, also the "remainder," consisting of those temporarily without jobs, those who are in the process of changing their occupation or place of work, unemployed seasonal workers, voluntary absentees and holiday makers and those who are not able to accomplish a full-time job. This permanent but ever changing floating population of workless—"frictional unemployment" as it was termed by Lord Keynes—far from representing a real social problem is an essential prerequisite of elasticity in economic life. If it should be absorbed through a policy of "full employment," a pathological condition will arise which might be described as "over employment," a condition of rigidity which was felt by Germany to be very oppressive even before the war.

But still more important is the third point : the conception of " full employment " suffers from that mechanical and mathematical thinking in totals which we have already criticised. To this is due the mistaken view of the labour market as one big reservoir, the level of which can be raised or lowered at will, whereas in reality it is only a statistical abstraction. It comprises countless individual reservoirs between which no, or at least only an incomplete, balance is possible for short periods. This has as its inevitable consequence that a continuous increase in the degree of employment reaches the individual categories of workmen one after the other ; whereas " over employment " and lack of workmen—the bottleneck of the boom already mentioned—appears in some cases, in others there may still be unemployment. But if one would do away with the last traces of unemployment by means of such a mechanical policy of continuously raising the total level this will again lead to wholly pathological and untenable conditions.

This illustrates again what happens if one puts the emphasis upon " full employment " and not upon adaptation and equilibrium, that is to say upon a policy which deals with disproportionalities and disturbances in individual cases. Seen clearly, genuine full employment is not to be achieved in this manner, but at best is only a juxtaposition of full employment and over employment.

Now let those who in spite of all this defend " full employment " as laid down, be divided into *three groups*.

We will begin with the *first* group of those who are in thorough agreement with us in rejecting collectivism but who believe that the policy of " Full Employment," the theory of which emanated from the Keynes School and which was translated into practice by National Socialist Germany, is compatible with market economy and hence with a liberal and democratic social system. To this group Lord Keynes himself belonged in spite of the fact that in his introduction to the German translation of his latest magnum opus he addressed himself with sympathy to his National Socialist readers. But now we know that this supposed compatibility between those two does not in fact exist. The second and third groups are composed of collectivists but we must again distinguish here between the non-totalitarian and the totalitarian collectivists. The first lot who comprise the *second* group share with the latter the belief that full employment can be achieved only under a collectivist régime and thus unfailingly and securely ; nevertheless they differ from them through the other conviction that this is possible without sacrificing the social structure of the democratic and liberal state. Our arguments force them to prove two things : that our doubts as to the capacity of a collectivistic economic system to perpetuate a boom are unjustified and that economic collectivism

and a democratic liberal social system in spite of the familiar arguments to the contrary are indeed compatible. So far as we are aware these proofs have not yet been forthcoming. The totalitarian socialists who form the *third* group are not in quite such a difficulty in this since they fully recognise the anti-democratic and illiberal consequences of collectivism and are quite pleased to accept our thesis of incompatibility without being called on to prove the opposite like the democratic liberal socialists. But their attitude is only apparently easier, since they must maintain the far more difficult hypothesis that totalitarianism is fully compatible with our most elementary ideas of civilisation, which is something they are unable to do. So that in fact, the totalitarian socialists exhibit that incompatibility in the highest degree, by laughing at bourgeois liberties, the loss of which forms the very essence of totalitarianism.

#### PERMANENT STAGNATION OF MARKET ECONOMY

Now we shall not be able fully to understand the policy of "full employment" which believes that it must make public investments into a permanent institution unless we understand the philosophy which served as a background and which emanated largely from the Anglo-Saxon countries. We meet with it in many guises, one noted it from day to day almost everywhere, and particularly in the Beveridge Plan. It comprises a remarkable mixture of wild optimism and a real *Götterdämmerung* pessimism. Optimism with regard to the great possibilities of production and mass well-being allegedly opened up by contemporary technology, pessimism as regards the capacity of "capitalism" to realise these possibilities, since the entrepreneurs for a variety of unavoidable reasons, particularly on account of the then existing saturation of the national economy with capital investments are supposed to be unable to find sufficient suitable avenues for investments which would convert the savings of the population into effective demand and thus secure equilibrium and full employment. A picture was painted of a world which could indeed be rich, but thanks to a permanent tendency to underinvestment is condemned to stagnation and poverty—"poverty amidst plenty"—a stagnation from which the world could finally only be rescued by means of booms in armaments, in so far as the deficit in investments was not balanced by the State or savings activity curtailed, and consumption thereby increased. Hence on the one side contempt for saving and the assurance that "money doesn't count," on the other, an outspoken anti-capitalism and defeatism as regards the future possibilities of market economy.

This is a dogma which is equally as fatal and seductive as it is unfounded. One can scarcely emphasise sufficiently strongly that the ideas lying behind it are false just as there is no experience which would warrant them. The last "Great Depression" followed as we saw, upon a period of excessive investment, and as regards the permanent stagnation of the decade which followed it is curious to refer to it suddenly as a normal tendency when in point of fact there is no lack of reasons of a special character to explain it. The most important of these reasons is exactly an economic policy which this philosophy of "seasonal stagnation" had inspired. What might one not anticipate in the way of investment possibilities the available capital would find, if one were to restore confidence in the future, in the mechanism of market economy and in certain inviolable rules of economic policy? If economic life were again rendered elastic and capable of adaptation and the pernicious restraints of monopoly and interventionism removed? We should view with confidence the outcome of such an experiment.

It cannot be denied that the danger of permanent stagnation is hovering over our economic system; and what this signifies must be clear to everybody. But this danger does not spring from inescapable fatalities. It is true that modern technique has enormously increased the possibilities of production and well-being and for this we should rejoice from the bottom of our hearts. But it is difficult to see why it should be a misfortune if, when the most primitive requirements of the products of industrial mass production have been finally secured, people then set about thinking of other things, those "beni d'ozio" of which we have spoken already, of quality goods, journeys, books, art, the products of handicraft, of a metamorphosis of our monstrous big cities and of laying out garden cities. There is not the least reason to doubt that these requirements can be satisfied normally and in a natural way by market economy and without continuous public investments, if people will appreciate the real functional capacity of our economic system. But if there are no inescapable compelling factors from which the danger of a chronic stagnation of our economic system threatens, the threat is all the greater owing to a specific tendency of economic policy to which the nations are devoting themselves, the tendency towards collectivism and all that is moving in that direction. One of the most critical stages along that path is just that policy which is making use of the slogan of "Full Employment."

The object of this statement is, that on the one hand it contains a very serious warning, but on the other it emphasises how far we are from that fatalism, the fatiguing refrain of which is collectivism's justification. We are saying in effect: "For goodness sake stop this

flirtation with collectivism and spare us over-sophisticated theories which would have us believe that your collectivist recipe is the only light in the pitch-dark. The truth is rather the reverse. The world is not nearly so gloomy as you paint it, a particular policy apart which finds in you its strongest supporters. If you put it through then of course there won't be much hope. But we are struggling too, and hoping that we shall succeed."

#### POSITIVE CONCLUSIONS

The contemporary world-wide discussion on "Full Employment" is a gigantic struggle for power between demagogy and quiet reasoning, a struggle the result of which one follows with bated breath, because it concerns the highest and ultimate things. Quiet reflection demands of us that we should be honest and not promise more than we can fulfil, think through the true and anything but easy nature of problems, learn from experience to see things in their proper perspective, mistrust most strongly "big" solutions and "big" words and exert ourselves all the more willingly and with greater energy to the wholly undoctriinaire examination of all the relevant possibilities and tasks in detail.

The opposite of "full employment at any price" is anything but a policy "du chien crevé," drifting along with the current. It is a question of escaping from the alternative between two equally great evils, in this case between the business-cycle policy of laissez-faire of former days and the necessarily collectivist full employment of the Keynesian theory and National Socialist practice. The third alternative which we must find is the most difficult of all, but therein lies our task. It is as we have indicated more than once, a policy which knows that security, stability and a high level of employment, as we ought more honestly and modestly to describe it rather than "full employment," are to be achieved not directly but only indirectly through adaptation and equilibrium, and that the more directly we attack these problems the further they recede from our reach. It is a policy which does all it can to facilitate such adaptation and in so doing finds a wide field for appropriate measures: a policy which promises solid help on the part of society for the victims of disturbances of adaptation and equilibrium without upsetting the basis of spontaneous adaptation, so important a part of our economic and social order; one which seeks to nip the severe disturbances in the relationship between savings and investment in the bud by encountering the excessive rises of the boom in good time without harbouring the illusion that its consequences can be treated as though they were not there, just as little in the market economy as in a collectivist régime; which places in the service of such a task the regulation of the volume of money, interest

rate, national expenditure, and revenue, and which also examines the question whether during the course of the crisis a dead centre may not be reached which could be overcome through energetic measures of money and credit policy (credit expansion, "active business cycle policy," "pump-priming"). If we finally turn to post war tasks it is certain that the transition from a war to a peace economy should follow a well thought out programme of state guidance which will reduce to a minimum the convulsions which such a gigantic change-over must bring with it.

Taking a further view such a positive policy of economic stabilisation must at the same time be one which directs its glance beyond all questions of business-cycles to the great structural problems of economics and society, problems which are an important cause of disturbances to the equilibrium and have increased these to an extent which is barely tolerable. It must be a policy which makes a point of decreasing the sensitiveness, the susceptibility, and instability of our massed, proletarianised, and centralised society by means of decentralisation, deproletarianisation, anchoring human beings in self-provisionment and property and strengthening the healthy middle classes, thus achieving an inner regeneration of the nation which will enable it to withstand even the severest shocks without panic or distress.

Those who realise that an economic and social policy of this kind is the most urgent requirement of our time can only feel it to be a bitter irony if by means of a policy of "social security" which puts more and more cares upon an already over-burdened nation, the precisely opposite path is being trodden and a financial policy rendered necessary, the certain result of which will be wholly to destroy the last remnants of the middle classes, to increase the already oppressive weight of collectivism vis-à-vis the individual and the family and to reduce all of us to proletarians (who feel themselves secure only in the bosom of the state), and finally to bring us to a frame of mind which will make us forget the absurdity of such a condition of things and prevent us from seeking any other path.

Where are the people who, recognising the diametrically opposite way will lead us back to genuine, inherent stability, founded upon property, a sense of personal responsibility, family and a sense of community, who will correct the immense shifting of the balance towards collectivism in favour of individuality and so preserve us from the fate of the Hellenistic world and the Roman Empire? The melancholy thought that today we might well find these people within the collectivist nations, that is to say just where disillusionment has come too late, is not perhaps unjustified. But we already know the mysterious law which would seem to forbid the nations to learn from the experience of others.

## NOTES

1. (P. 201) *The Modern Theory of the Business Cycle.*

I would refer in this connection to the more explicit analysis in my book, "Crises and Cycles" (William Hodge & Co., London and Edinburgh, 1936). My point of view is closely shared by G. Haberler, "Prosperity and Depression," third edition, Geneva, 1941, and D. H. Robertson, "Essays in Monetary Theory," London, 1940 (containing a special chapter on my book). My reference in my English book to the theory of the business cycle should preserve me from the reproach of being unconscious of the extreme complexity of the problem and of neglecting the purely monetary sources of disturbance (which lay for instance in the operation of the gold standard), sources of disturbance which could have been mitigated or indeed wholly removed through an improvement of the money and credit system within the framework of market economy. But as the present book is not a text-book on the theory of money and credit this reference must suffice.

2. (P. 201) *Forced Adaptation in the Collectivist System.*

That there exists a clear alternative is also expressly recognised in the Beveridge Report which will have to draw the logical consequences of its guarantees and promises to future unemployed, which means their subjection to obligatory retraining and compulsory adaptation.

3. (P. 205) *Rational Business Cycle Policy.*

See my book, "Crises and Cycles," pp. 138-219, where the important idea of "compensatory budget policy" is developed. See further, W. Röpke, "Praktische Konjunkturpolitik. Die Arbeit der Braunkommission," *Weltwirtschaftliches Archiv*, October, 1931; W. Röpke, "Trends in German Business Cycle Policy," *Economic Journal*, September, 1933; W. Röpke, "Tipo Aureo e Politica della Congiuntura," *Rivista internazionale di Scienze Sociali*, November, 1935; W. Röpke, "Vollbeschäftigung," *Economist* (Dutch), No. 7-8, 1938; W. Röpke, "Socialism, Planning, and the Business Cycle," *Journal of Political Economy* (Chicago), June, 1936; I. H. Fraser, "Unemployment in a Planned Economy," *Al Quonoun Wal Iqtisad* (Cairo), No. 7, 1936; W. L. Valk, "Conjunctuordiagnose," Haarlem, 1935; Paul H. Douglas, "Controlling Depressions," London, 1935; H. J. Keus, "De ondernemer en zijn zijn sociaal-economische problemen," Haarlem, 1942; C. Bresciani Turroni, "Introduzione alla Politica Economica," Turin, 1942, pp. 227-273; Allan G. B. Fisher, "Economic Progress and Social Security," London, 1945.

4. (P. 206) *The "Secondary Crisis."*

See W. Röpke, "Die sekundäre Krise und ihre Überwindung," *Economic Essays in Honour of Gustav Cassel*, London, 1933, pp. 553-568.

5. (P. 206) *International Recognition of the Idea of the "Active Business Cycle Policy."*

The ideas which came to maturity in German circles in the winter of 1930-1931 were first set forth in my essay, "Praktische Konjunkturpolitik," and following much the same lines and more or less simultaneously, J. M. Keynes, "A Treatise on Money," London, 1930, B. Ohlin, "Ungeloste Probleme der gegenwärtigen Krisen," *Weltwirtschaftliches Archiv*, July, 1932; J. Viner, "Balanced Deflation, Inflation, or more Depression," Minneapolis, 1933.

6. (P. 207) *The "Active Business Cycle Policy" in Germany from Papen to Hitler.*

See W. Röpke, "Trends in German Business Cycle Policy," *supra*.

7. (P. 208) *Conditions for Successful "Pump-Priming."*

G. Haberler (*supra*, p. 503 ff.) names three conditions; (1) A policy of the kind must not diminish the capital available for other investments; (2) The objects of public investment must be chosen and policy managed so as to avoid all unfavourable repercussions to private investment activity; (3) This policy must not be combined with measures for increasing costs (particularly wages).

8. (P. 208) *"Purchasing Power Theory."*

The main fault of this familiar, seductive and hence extremely popular theory consists of overlooking the facts that if one raises wages without considering the



profit-earning capacity of the various undertakings, though an artificial increase in demand will indeed be thereby created, simultaneously costs will rise in an economically unjustifiable way, great disturbance in calculation will result which will have the effect of putting off entrepreneurs from making fresh investments. Thus this policy destroys its own fruit in trying to pluck it too quickly. This was also the main cause of the collapse of French crisis policy at the time of the Popular Front régime. In fact the application of the purchasing power theory is incompatible with successful "pump-priming."

9. (P. 214) *The Final Crisis of "Full Employment."*

Haberler comes to the same result (*supra*) and indeed with similar arguments. Our attitude differs fundamentally from the Keynes School as conclusively as it appears in the widespread discussion on the Keynes theory in many quarters, see D. H. Robertson, *supra*; G. Haberler, *supra*; Howard S. Ellis, "Monetary Policy and Investment," *American Economic Review*, Supplement, March, 1940; F. A. Lutz, "The Outcome of Saving-Investment Discussion," *Quarterly Journal of Economics*, August, 1938; Howard S. Ellis, "Notes on Recent Business Cycle Literature," *Review of Economic Statistics*, August, 1938; Alvin E. Hansen, "Mr. Keynes on Unemployment Equilibrium," *Journal of Political Economy*, October, 1936; Alfred Ammon, "Keynes' Allgemeine Theorie der Beschäftigung," *Jahrbücher für Nationalökonomie und Statistik*, vol. cxlvii, 1938; Th. Greidanus, "De Ontwikkeling van Keynes' Economische Theorien," *Economist* (Dutch), October, 1936; F. H. Knight, "Unemployment and Mr. Keynes' Revolution in Economic Theory," *Canadian Journal of Economics and Political Science*, 1937; "Economic Theory and Monetary Policy," *The Economic Record*, special number, Melbourne, 1939; "The Economic Doctrines of John Maynard Keynes," *National Industrial Conference Board*, New York, 1938; W. Röpke, "Volbeschäftigung," *Economist* (Dutch), No. 7-8, 1938; W. Röpke, "Streifzüge durch die neuere konjunkturtheoretische Literatur," *Zeitschrift für schweizerische Statistik und Volkswirtschaft*, vol. i, 1940; L. A. Hahn, "Compensating Reactions to Compensatory Spending," *American Economic Review*, March, 1945.

10. (P. 217) *Unavoidable Unemployment.*

It is what is also described as or "marginal" unemployment (W. Röpke, "Crises and Cycles," *supra*, p. 15) or "frictional unemployment" (J. M. Keynes, "The General Theory of Employment, Interest, and Money," London, 1936).

11. (P. 220) *Permanent Stagnation from Lack of Investments.*

It is to be noted that the philosophy of seasonal stagnation ("mature economy theory" as it is called in the United States) has obtained considerable popularity largely upon the authority of and its effective formulation by Lord Keynes, but that more recently its untenability has been recognised. See Howard S. Ellis, "Monetary Policy and Investment," *supra*; Henry C. Simons, "Hansen on Fiscal Policy," *Journal of Political Economy*, April, 1942; Willford I. King, "Are we suffering from Economic Maturity?" *Journal of Political Economy*, October, 1939; J. Schumpeter, "Capitalism, Socialism and Democracy," New York, 1942.

12. (P. 221) *Transition from a War to a Peace Economy with the least Possible Disturbance.*

The following deserve special mention: "The Problem of Unemployment" (published by Messrs Lever Bros. & Unilever Ltd.), London, 1943; "Employment Policy and Organisation of Industry," Nuffield College report, 1943. For Switzerland see "Bericht des Bundesdelegierten für Arbeitsbeschaffung: Arbeitsbeschaffung in der Kriegs- und Nachkriegszeit," Zürich, 1942.

13. (P. 221) *Strengthening the Resistance to Crises through Decentralisation, etc.*

Whereas this way of thinking would have come quite naturally to an earlier generation (for example, F. Le Play, "L'Organisation de travail," fifth edition, Paris, 1888, p. 152), regimentation, proletarianisation, and concentration have largely blunted the present generation to these ideas. Since "tertiary production" favours the small medium concern, its increasing importance—contrary to a widespread opinion—should favour the solution of the problem of stabilisation.

## CHAPTER XI

## ECONOMIC SYSTEM AND INTERNATIONAL NEW ORDER

## CAPITALISM AND IMPERIALISM

It is particularly the economist who is always having to utter a warning against over-estimating the importance of the economic aspect in international politics and against seeking the ultimate causes of national conflicts and harmonies in this sphere. The more popular such theories are the more decisively will one be inclined to turn away from them after a little consideration and a little study of the historical facts and concede to "politics" its own place as the terrain of ideas, of power, justice, ambition, of desire for dominion or for independence, of mutual fear or attraction of peoples, of the collision of the peace-loving and aggressive, and of further irresolvable sentiments. One will seek in vain in the great and small wars of the recent past for convincing reasons or motives of an economic nature and dismiss the conception of both the first and the second world wars as genuine and objectively conceived struggles for colonies, markets, opportunities for capital investment or for "living space." One will energetically discount what is mere propaganda and demagogic over-simplification and pay tribute to history in its scarcely fathomable complexity without subscribing to the theory of some simple cause.

None the less this incredible complexity of national history must on the other hand preserve us from exaggerating with a like one-sidedness the rôle of the specifically "political" and reducing the "economic" to a mere bagatelle, and if one has also avoided the one-sidedness of the historico-economic conception of Marxism one will have acquired all the greater right and impartiality to underline the fact that the economic is of course one of the most important spheres of social life and stands in close correlation to the others. The economic constitution, i.e., the sum of the principles according to which economic life is organised is always in a specific co-ordinate relationship to the whole social constitution, and this fundamental tenet must apply also to society's international relationships. We have certainly to beware of a one-sided "economism" which might tempt us to make the economic the sole or at least the most important foundation for a warlike or peaceful character of international relations and to maintain that it was because such and such a nation decided upon this or that economic system which necessitated their reaping war and imperialism. Meanwhile it can scarcely be denied that one particular economic

system is associated with discordant international relations and another with peaceful. And in expressing ourselves let us frankly leave it an open question what is cause and what effect. But which of these economic constitutions is the one or the other? Which bears the plus sign and which the minus?

Such hopeless confusion reigns about this question which is one of capital importance, that we feel a certain embarrassment and compelled to ask ourselves from which quarter can elucidation best be expected. Perhaps the best method will be to take the bull by the horns and begin with the extremely popular opinion that "Capitalism" is the intrinsic cause of war and imperialism. It is precisely this ubiquitous view which best reveals the susceptibility to error on the part of general opinion. First of all we will leave out of the discussion what is nowise in dispute or likely to be disputed. We will assume that we are all in agreement that the profit motive often possesses the tragic tendency to influence governments in a warlike direction, that the secret archives of the armaments industry in all countries must have their darker side, that individual concerns often enough guide colonial policy in an undesirable direction from behind the scenes and so have contributed to world conflict, that uncontrollable financial forces have spread the poison of nationalism in public opinion by straight or crooked means and so on and so forth. We have not the smallest intention on this occasion of embarking upon a discussion as to how many of these reproaches hit the mark; which are exaggerated or how many are just false. For the sake of the argument, let us suppose that things be indeed be as bad as they are commonly thought to be. But what of that?

In the first place it means only that there are ambitious scoundrels and pure adventurers who, devoid of scruple and hungry for power, are behaving in our particular historical epoch in the way in which this unsavoury species always and everywhere has behaved, now in this now in that form, now within the framework of this, now within the framework of that particular economic and social system. Now the question at once arises whether the economic system which has developed during the past 150 years has really produced more possibilities for indulgence in harmful activities than any other of the past or future. Already at this point we have difficulty in seeing that this type of individual would have felt himself particularly restricted or unable to find any field for his activities in the period of feudalism or would feel so in a completely collectivised world of the future. To speak here of the mischievous influence of "Capitalism" means obscuring the matter, and where it is a question of human guilt indulging a notion divorced from responsibility. This would be a

fresh triumph for Rousseau's destructive doctrine, one which represents the cardinal error of all "radical" thought; that humanity is intrinsically good but became corrupted by society; thus one has but to rebuild society and we shall all become good again. The feeling of guilt which all should share in true repentance is silenced and perniciously blunted in a determinist way, i.e., by means of theories which blame the purely objective force of "circumstances" and absolve humanity. The theory of economic imperialism, the subject of discussion here, can be taken as a pattern of this type of evading guilt.

From all which it follows that those political influences which one would attribute to "Capitalism" are clearly not to be ascribed to any specific economic system; indeed have very little to do with it. This inconvenient state of affairs is however as largely as possible concealed owing to a blanket of vagueness covering ideas including that of "Capitalism." Now here is the point where we join up with the remarks we made at the beginning of the book to explain the conception of "Capitalism" and apply what was said there to the special case of international relations. We should remember particularly the specific principles of the market economy and of collectivism (coercive economy) which we set in sharp opposition to each other so as to avoid the ambiguity which is bound up with the notion of "Capitalism." If we would examine the antithesis "market economy and collectivism" from the special point of view of international relationships, we should recognise that the problem resolves itself into the question: Which of the two systems is more likely to be conducive to a peaceful, free and just international order? Market economy or collectivism?

In order to arrive at a clear answer to these questions which govern the whole matter one must formulate with precision two possible fundamental types of political world organisation; a genuine World State in which the present day nations shall have renounced their sovereignty, or else an international organisation which, rejecting this Civitas Maxima, would limit their sovereign rights as much as possible but not abolish them. From an economic point of view the first would imply that the whole world had been transformed into one vast national economy, in which all problems of the international political and economic order would have ceased to exist, as well as the question to which we are seeking an answer. One must however be quite clear about it that it is only upon this condition, i.e., the existence of a single political centre of an all-powerful World State, that genuine international collectivism embracing the whole world could be realised. Otherwise the directing political Authority without

which this could not exist would be lacking. Since collectivism is one hundred per cent. *étatisme* it is plainly inconceivable without an International State, and indeed of a kind which oppresses all opposition in the same total degree as is demanded by collectivist coercive economy. This World State must be really universal for as long as there remained individual giant empires side-by-side with continental federations the same question of their hostile or friendly relations with each other would arise as is the case at present between national states.

The conception of a collectivist world despotism of this sort assuredly belongs to the most horrible that human phantasy can devise. Meanwhile we can shake off this nightmare with the consoling feeling that it is a Utopia which need not startle us. Thus we should occupy ourselves with the remaining possibility that in the near future it will not be with a World State that we shall have to do but a juxtaposition of nations—however allied—or national groups. Hence it follows that even collectivism as it may be realised in the future will necessarily be bound up with specific nations and can therefore never be international in the sense of national collectivist systems becoming merged in universal collectivism.

If we must logically bow to this conclusion we must accept also the further consequence that the juxtaposition of national collectivist systems in an economically inextricably involved world is the surest way of making the world the scene of perpetually recurrent and pitiless conflicts and of banishing all security from international life, and this far more surely than all the machinations of the "capitalists." Indeed if a Mephistophelian world spirit were to consider how he might best effect a maximum of irritation between the nations by means of a well thought-out economic system, this juxtaposition of collectivist states or groups of states would prove the most genial solution. But if indeed, on the contrary, it be the principle of market economy alone which can solve the problem of leading a humanity which has not yet been centralised by means of a World State to a genuine, free, just and peaceful world economic unity we are able to measure the whole tragic mistake of the socialists who, in the name of peace and international justice are condemning market economy and eulogising the principle of collectivism. It would be difficult to find in the history of ideas such blindness of outlook. If this may have been excusable once upon a time it is becoming the less excusable to the extent to which experience of the collectivist principle has been mounting up in our generation.

It should be above all clear that collectivism is characterised in contradistinction to market economy by the restless "politicalisation" of all economic conditions. This politicalisation means nationalisa-

tion, and within the territory governed by the collectivist state the setting up of economic life at the coercive centre. This signifies nothing less than the greatest possible increase in the power of the State, the sharpest accentuation of the national frontier and a national structure of government which bears witness to this sort of nationalism and despotism and which exhibits all its well-known traits. Each individual is so bound to the State for his very existence that even his identity card becomes as it were a sort of soup ticket or insurance policy. This implies the simultaneous shutting oneself off from the outside world; autarky, the strictest control over emigration and immigration, the most rigid and compulsory Foreign Exchange control. And it means furthermore, that, in contrast with market economy, since nation and the economic system have only now become merged, the economic well-being of the nation becomes a function of the size of territory and of the natural resources within the territory which is thus politically governed. Only now does "Living Space," from being a phrase of political propaganda or the slogan of monopolistic interests on the prowl for profit, develop into a real problem of national existence. Only now has the struggle for square miles, labour reserves, natural resources and transport routes become really serious, for all these things have now developed into actual and incontestable *raisons d'état*. Only now does imperialism as a struggle for the maximal size of the antarkic and collectivistically ruled economic territory become an absolutely inherent and inescapable law of national existence. And now it is also becoming clear that the antithesis between market economy and collectivism is being metamorphosed on the terrain of international economic relations into an antithesis between world economy and collectivist bloc economy.

#### WORLD ECONOMY AND BLOC ECONOMY

Thus it is that those who want collectivism are also bound to want collectivist bloc economy, and those who prefer world economy must abjure collectivism and in whatever form or place. *World economy is nothing but the market economy form, and bloc economy the collectivist form of international economy, and in both cases the form of the international economic order must correspond with the national, world economy with market economy, bloc with collectivism along the whole line, i.e., externally as well as interiorly.* Here as elsewhere there exist strong associative relationships so it is not correct to speak internationally the language of liberalism—of freedom, of justice and genuine "internationality"—and to speak nationally the language of collectivism. That realisation of this is lacking in so many well-intentioned

reconstruction plans at the present time renders these so particularly dangerous.

The decision as to the future organisation of economy is thus indivisible and must be considered as a whole both for the national as well as for the international sphere. Here as there, we have to choose between the two principles of market economy and coercive economy (collectivism), and here as there it should gradually become clear what is implied by this fundamental decision. But that the choice in favour of the principle of economic organisation is not one in favour of "Capitalism" but includes an extensive and well-considered programme of reform should be clear to everyone. Hence from the first the objection that we are anxious to take over together with the important fundamentals of market economy also its serious lapses and defects that were just those which contributed to its collapse, is pointless. We must distinguish the essence of market economy therefore from its historical conditions and ingredients on the national as on the international plane, and render it vital once more.

When we say that market economy means *internationally* world economy, that particular international economic order is to be understood which is alone worthy of the name, i.e., one which brings to international relations the "multilateral" character, the "interdependence," the fundamental liberty and equality of rights which prevail within the economic system; that means that world economy can exist only in the form of a genuine international community of market, price and settlement which at the same time presupposes an interdependent, intercommunicating, and multilateral system of international economic relations with an international monetary standard (like the gold standard), with a minimum of import and export restrictions and with an absolutely free international exchange of the factors of production, capital and labour. This world economy is being destroyed through continued collectivism and its allied bilateralism; and being replaced by chaos, autarky, poverty and that thorough politicalisation of international economic relations to which we have already referred and the consequences of which for the peace and liberty of nations can no longer be overlooked. And it is this politicalisation of international economic relations which we must thank if now there has suddenly arisen a problem of the "equitable distribution of raw materials" which, during the period of world economy was as unknown as it would have been meaningless, just as within the individual nations a similar problem between rich and poor districts is unthinkable.

Now we must be perfectly clear in our minds that a genuine world economy of this nature is only possible in two forms. The economic

integration of the world follows *either* from all nations joining together in a World State in which, with the abolition of individual national sovereignty, the market, price and settlement community comes into being just as it does in each individual national economy ; for actually world economy is nothing other than a single vast national economy.

Or else world economy will be so organised *as though it were* a closely knit national economy, which presupposes that individual countries will concede that freedom, multilateral character and movement to international commerce which render possible the *price and market* community and will join in the arrangements of an international monetary system which render possible a *payment* community. This implies limiting trade policy to a reasonable measure of protection ("conformable" policy in contrast with the "non-conformable" policy of quotas, clearings and monopolies), Most Favoured Nation treatment and an international currency system like the gold standard. Thus appeared the international economic order of the past, and with the best will in the world one cannot see how the world economy of the future—if that is what we want—can be organised on any other basis in spite of all the high-flown plans which are being so widely discussed today for a world community of states. Whatever new and better forms of organisation for nations may eventually be discovered, a world community of states having totally abolished individual national sovereignty will remain a dream, and as we saw not even a beautiful one. But should these ideas of a federation of states really mature in certain areas, or as national groups, the problem would emerge as regards the economic relationship of these federations to one another in just the same way as formerly in the case of individual sovereign nations. And it should be particularly emphasised here for the reasons mentioned earlier that a genuine federation—whether national or international—can exist only if the economic organisation is that of market economy and not a collectivist one. *If federalism and collectivism are incompatible with one another within contemporary federated nations it will be the same in the case of international federalism and on similar grounds.* And it is also the case that *individual state collectivism* would endanger the existence of the federal centre and a *supra-national* collectivism that of the federal members. In view of the heterogeneous composition of an international federation of this kind the explosive force of collectivism would be even greater than in the case of a national federation. For the same reason it is probable that in an international federal union not even that measure of state interventionism could be tolerated to which we have become accustomed in contemporary national states. This special problem reveals clearly once again the strong correlation existing between



economic order and political structure on the terrain of international relations. That this correlation is not only markedly strong but something so completely different from what the opponents of market economy and the friends of collectivism picture them to be is a fact to which one must finally accustom oneself.

In any case the opposite of this genuine world economy is the collectivist form of economic organisation (bloc economy), "Gross-raumwirtschaft," "Co-prosperity sphere of the Japanese." Not only does it narrow economic transactions to the limited space the real political control of which gives it its opportunity to function, but furthermore it organises this "limited space" from above in such a way that the individual territories are indeed subjected to the controlling centre but no longer form that community of price, market and settlement which formerly the whole world represented. It is thus a step-back twice-over, both as regards spatial extent and degree of economic integration, one which is particularly astonishing in view of the fact that international collectivism is represented to us as progressive and world economy as something retrogressive. That means simply that bloc economy in contradistinction to the liberty and movement of world economy to which particularly the smaller and weaker countries poor in raw materials owe their prosperity and political independence, is characterised by the political and economic monopolistic position of the dominant State. In this collectivised world all are divided into directors and directed, strong and weak, profiteers and politico-economic helots, with all the friction, tension and insecurity and with all the loss of freedom, peace, and balance which such a state of affairs must necessarily have as its consequence. Whether such an international organisation of economy and nations can last for any length of time can be readily doubted. Certain it is in any case that the consequences for the political world order will be the precise opposite of what is desired by those who are demanding collectivism in the name of peace, freedom, and justice. All the more so as the relationship of the collectivist big areas to the rest of world economy or to other big areas will be burdened with great tension leading to bellicose complications. But we would emphatically add that the intrinsic cause of all these difficult aspects of bloc economy is to be sought not so much in the wickedness, inexperience, and thoughtlessness of the leading power, much as these may be contributory factors, as in the very essence of this international organisation itself, which must ruin even the best intentions. This should be said above all to those who think they can manage a bloc economy of this kind in the future better than those nations which have already made a start.

Collectivism in fact means the utmost and inescapable piling up of the power of the state which it is possible to imagine, and it should

be plain that such a Leviathan can have nothing else for its substance but the utmost nationalism, despotism, and imperialism. If in future the world should become divided up into a system of collectivist clumps of power, nothing is more sure than that these will become involved in annihilating wars with one another until such time as one or other of them shall have achieved indisputable world leadership and so created a World State, that is to say have realised those conditions on this planet which no words can describe in all its frightfulness. But it seems quite probable that before this happens despairing humanity will have smashed collectivism to smithereens. That collectivism is adapted for just such a world of strife and market economy for the opposite sort of world of peaceful equilibrium has already been made clear, from a different angle, at an earlier stage of our analysis.

#### THE REHABILITATION OF WORLD ECONOMY

We repeat that the decision we shall have to make with regard to the economic system as a whole for the future confronts us in a special form as regards the *international* economic order. Here also we have the basic choice between market economy and coercive economy (collectivism). The market form of the international economic order is nothing other than world economy: the collectivist, bloc economy. Both have been explicitly characterised by us, and this characterisation affords the overwhelming grounds for our decision in favour of world economy and for our hostility to bloc economy even if the latter should be offered us under a new name which has not been wholly compromised.

Future world economy does not mean playing the same old hackneyed tune over again. It means much rather relentless clarity of view of the unchanging elements of such an international economic order and also regard for necessary and possible individual reforms. This is the only proper answer which should be made to quite justified criticism of the past. Two things are closely connected here; *firstly*, world economy and bloc represent two possible choices and are as diametrically opposed to one another as freedom to coercion, organic life to mechanical organisation and lastly, as the social and economic principle of liberalism is to the collectivist; and *secondly*, a healthy recovery of world economy can only be undertaken with any prospect of success in future if it abjures trying to build-up again past world economy with its many weaknesses rooted in the faulty development of historic capitalism and liberalism, and takes upon itself the whole programme for an enlightened economic and social organisation of a kind recommended basically in the present book.

A simple restoration is neither desirable nor possible—and here also the parallel with national economic reform is complete—since the historical world economic organisation was falling increasingly victim to a degeneracy which finally ruined its inherent constitution. Already before the system of collectivism as applied to international economic policy had given it its *coup de grâce*, the world economy which had been rehabilitated after the first world war was burdened with two things which were wholly foreign to its essence and which in the long run it was unable to bear; the policy of exaggerated protectionism on the part of the leading countries and the international political indebtedness (reparations and inter-allied debts). The competition in running up tariff walls, in undermining Most Favoured Nation treatment and in the building up of preferential tariff systems was as bound finally to lead to the collapse of world economy as the attempt to place this delicate organism at the service of the collection of vast and wholly uneconomic debts. From which it follows that we must give up all hopes of a permanent establishment of world economy and also of better days to come—indeed we will have to count even upon a deterioration of the situation as compared with 1939—if we do not succeed in removing the highly dangerous growths of protection in future, which in concrete terms means above all the lowering of American duties to a tolerable figure and revision of the direful interference with the multilateral network of world economy by bilateralism and preferentialism. And there should also exist agreement that the re-creation of a large amount of political international indebtedness is incompatible with a future liberal world economic order, because the order of magnitude in which international war debts would have to move today would render it a sheer impossibility to palm off upon other countries even only a respectable portion of the costs of war, war damages and war subsidies within the framework of a liberal world system. The return to a moderate tariff policy and renunciation of a new international war indebtedness on the part of the nations combined with measures for the rapid abolition of their collectivist trade methods should render possible again a genuine world economy. This implies however that world economy is able to function only if the individual countries agree to a limitation of their sovereign rights and at the same time can agree upon a genuine political order for the nations. We have in fact reached a stage in the history of humanity when a considerable measure of internationality and the limitation of national sovereignty has become a question of existence for the nations themselves. As in the past, so also in the future, without these basic conditions no international currency system, which, with world economy forms an indissoluble whole, will be possible.

Whilst discussion of all questions of detail must be left for a later opportunity, we ask ourselves whether we are placing our hopes too high in anticipating that those circles and forces which are striving for the rehabilitation of the international order upon a liberal foundation will at length grasp and admit all the far-reaching consequences which will result therefrom for the whole world economy and for society. Will they understand that the international order presupposes a corresponding national order and therewith embraces the fundamental question of the economic and social crisis of our epoch? Perhaps we are not hoping for too much if we succeed in convincing people that to the questions which the collectivists are putting to us there is today and always a perfectly good liberal answer even if it be quite a different one from historical liberalism, the sole answer indeed which is compatible with a *Civitas Humana*.

---

NOTES

The problems discussed in this chapter have been dealt with more extensively in a book by the present author ("Internationale Ordnung," Erlenbach, Zürich, 1945).

1. (P. 226) *Evasion of Guilt through Determinist Theories.*

Compare the topical essay by *Max Scheler*, "Neue und Wiedergeburt" (in his work "Vom Ewigen im Menschen," Berlin, 1933).

2. (P. 226) *The two Possibilities of World Organisation.*

The dismissal of the conception of a World State does not imply the glorification of the anarchy of individual sovereign states since anarchy of this sort would represent the denial of all possibility of the nations living peaceably together and would be likely to lead to some "international system of states" sooner or later (see in this connection the excellent little book by *Werner Näf*, "Die europäische Staatengemeinschaft in der neueren Geschichte," Zürich, 1943. What should be aimed at is neither a *Civitas Maxima* nor the anarchy of individual sovereign states, but an international order of freedom, fellowship and of equality of rights. This represents the "Third Alternative," something which Ancient Greece was unable to achieve and thus she fell from the extreme anarchy of the numerous small city states into the extreme of Macedonian imperialism, in spite of all the efforts of a Demosthenes. Europe's fate has been better to the extent that it has been possible for a "European system of States" to develop. It certainly depended more upon the negative principle of the "Balance of Power" than upon the positive one of a genuine community of the nations. If Europe has succeeded time and again, largely thanks to "England's beneficial influence" (*A. H. L. Heeren*, "Kleine historische Schriften," Vienna, 1817, P. 156) in escaping from a continental despotism, on the other hand it has hitherto never got beyond the stage of a European balance of power, one constantly disturbed and as constantly re-established after frightful sacrifice so long as England as a Power with only negative interests on the Continent and as an island with a wonderful geographical position on the periphery of Europe (comparable with the wonderful geographical configuration of Ancient Greece which was so decisive for History) limited herself to periodic adjustments of the destroyed equilibrium. The question is on every lip whether this negative interest cannot now be changed into a positive interest, especially as she has created in the the British Empire the first great pattern for an international federal union.

(P. 280) *Incompatibility of International Federalism with Collectivism.*

The following portion of the essay by Professor F. A. Hayek to which we have already once referred is of interest here; "...and the degree to which planning can be carried is limited to the extent to which agreement on such a common scale of values can be obtained or enforced. It is clear that such agreement will be limited in inverse proportion to the homogeneity and the similarity in outlook and tradition possessed by the inhabitants of an area. And although, in the national state, the submission to the will of a majority will be facilitated by the myth of nationality, it must be clear that people will be reluctant to submit to any interference in their daily affairs when the majority which directs the government is composed of people of different nationalities and different traditions." (F. A. Hayek, "Economic Conditions of Inter-State Federalism," *The New Commonwealth Quarterly*, September, 1939, p. 141.)



## INDEX

- Abercrombie, 165  
 d'Alembert, 52  
 Alexander Severus, 97  
 Alfonso XIII, 87  
 Ambrose, St. 119  
 Ammon, A., 223  
 Andrieux, 114  
 Antoni, C., 58  
 Aquinas, Thomas, 78  
 Aristotle, 118  
 Aster, E., von, 60  
 Augustus, Caesar, 97  
 Bacon, F., 122, 157, 159  
 Bain, R., 80  
 Bamberger, L., 97  
 Barink, B., 82  
 Barker, Sir E., 97, 115  
 Baron I., 165  
 Barth, H., 82  
 Basseches, N., 37  
 Bastiat, 94, 98  
 Bata, 174  
 Beethoven, 80  
 Belloc, H., 147, 164  
 Benda J., 38, 56, 117  
 Bergson, H., 45, 115  
 Bernard, C., 80  
 Berthelot, 64f  
 Beveridge, Sir W., 138, 142ff, 151,  
     153, 165, 218  
 Bismarck, 104  
 Böhm, Franz, 38f  
 Bollat, F., 97  
 Bossuet, 103, 115  
 Boswell, 126  
 Bourget, P., 71  
 Brandt, K., 195  
 Braun, 207  
 Bresciani, Turrone, C., 39, 222  
 Briefs, G., 147, 151, 164, 181  
 Brutzkus, B., 37  
 Bryce, J., 118  
 Buchanan, 86  
 Buell, R. L., 37  
 Burckhardt, J., 25, 57, 102, 115, 122,  
     132  
 Burke, E., 48f, 95f, 134  
 Burlamaqui, 105  
 Calvin, 52, 58, 103ff, 115  
 Candolle, A. de, 80, 131  
 Carr, E. H., 37  
 Carrel, A., 81  
 Cavell, Edith, 47  
 Charles IV, Emperor 119  
 Charmet, R., 80  
 Chenevière, M.-E., 58, 115  
 Chesterton, G. K., 39, 147, 164, 180  
 Chevalier, Z. F., 97  
 Chiang Kai-Shek, 30  
 Chiang Kai-Shek, Mrs., 39  
 Churchill, Winston, 165  
 Cicero, 66  
 Clark, C., 181  
 Claudel, P., 72  
 Clemenceau, 67  
 Comte, A., 54f, 59f, 63, 126  
 Condillac, 62  
 Condorcet, 55  
 Constant, B., 32, 58, 86, 100f, 105,  
     113, 115, 124, 127, 155  
 Corneille, 66  
 Coutrot, F., 181  
 Croce, B., xvi, 36, 101, 180  
 Cromwell, O., 123  
 Curtius, E. R., 82  
 Dante, 66  
 Daudet, L., 51  
 David, E., 195  
 Dawson, Ch., 115  
 Demosthenes, 67, 152, 234  
 Destutt de Tracy, 59, 62, 80  
 Diderot, 52  
 Dietze, C. von, 185ff  
 Diocletian, 97  
 Dolch, 126  
 Dostoevski, 132  
 Douglas, P. H., 222  
 Dubreuil, H., 181  
 Dürer, A., 119  
 Eckermann, 37  
 Einaudi, L., 37, 59, 81, 176, 181  
 Ellis, H. S., 223  
 Ernst August, King of Hanover, 119  
 Eucken, W., 35f, 38f  
 Faguet, E., 51, 57f, 83  
 Ferrero, G., xvi, 35, 86, 88, 97, 101,  
     106  
 Fisher, A. G. B., 38, 122, 181  
 Ford, H., 174  
 Fosdick, 150  
 Foubenal, B. de, 115  
 France, An., 63  
 Fraser, T. H., 222  
 Gasser, A., 97, 107  
 Gebauer, C., 57  
 Gerson, 103  
 Gide, A., 67  
 Gideonse, 32  
 Giercke, O. von, 97  
 Giradoux, J., 57  
 Goethe, 37, 44f, 55, 61f, 66, 80, 97,  
     131, 136

# INDEX

- Goldsmith, O., 194  
 Gotthelf, J., 183  
 Greidanus, Th., 223  
 Grimm, xx, 119, 151, 215  
 Grossmann-Doerth, H., 39  
 Grotius, 52  
 Haberler, G., 222f  
 Hahn, L. A., 223  
 Haller, 53  
 Hansen, A. H., 223  
 Harnack, 126  
 Harper's Magazine, 211ff  
 Hayek, F. A., 37, 59, 235  
 Hazard, P., 58, 115  
 Heckscher, E., xvii  
 Heeren, A. H. L., 234  
 Hegel, W. F., 4, 54, 65, 79, 104  
 Heine, H., 64  
 Hellpach, 174, 181  
 Henri IV, 51  
 Henry VIII, 119  
 Herder, 41, 77  
 Hesiod, 137  
 Hilferding, R., 37  
 Hitler, A., 104  
 Hobbes, 53, 102  
 Homer, 65  
 Horace, 66  
 Hugo, Victor, 180  
 Huizinga, J., 56, 81  
 Humboldt, W. von, 101, 112, 131  
 Hume, 52, 60, 62  
 Hutt, W. H., 127  
 Huxley, Aldous, 63, 69  
 Isaiah, 126  
 James, W., 45, 56  
 Jaspers, K., 124, 127  
 Jefferson, 39, 116, 138  
 Jeremiah, 126  
 Job, 66  
 John, Sigismund of Prussia, 104  
 Johnson, Dr., S., 47, 52, 126  
 Joseph, 151  
 Jurieu, 52, 115  
 Kahn, Hannah D., 35  
 Keus, H. J., 222  
 Keynes, J. M., 196, 202, 210, 216f, 220, 222f  
 King, W. I., 223  
 Kipling, 85  
 Knight, F. H., 223  
 Laboulaye, E., 57, 101, 106  
 Lagarde, G. de, 58, 115  
 Lamb, Ch., 10  
 Lauer, E., 194  
 Lenin, 104  
 Le Play, F., 58f, 111, 127, 135f, 138, 151, 178, 223  
 Lessing, 52  
 Lichtenberg, 52  
 Lin Tsin-Sen, 150  
 Lippman, W., 37, 39, 150  
 Locke, 62, 101  
 Lombroso-Ferrero, Gina, 164, 181  
 Louis, XIV, 115  
 Luther, M., 103f, 119  
 Lutz, F. A., 223  
 Macaulay, 34, 165  
 Mach, E., 80  
 Madách, 63  
 Maistre, J. de, 53  
 Malebranche, 54  
 Mannheim, 63  
 Marañon, 57  
 Maritain, J., 58  
 Marx, Karl, 4, 75, 94f, 104  
 Maulnier, Th., 38  
 Maurras, Ch., 51  
 McAllister, G., 165  
 McIlwain, C. H., 115  
 Mill, J. St., 60, 101, 113, 132  
 Milton, 86  
 Molière, 20  
 Monakow-Mourgue, 81  
 Montaigne, 106  
 Montesquieu, 178, 101, 106, 123  
 More, Sir T., 119  
 Mosca, G., 35, 37, 57, 101f, 106, 110, 113, 116, 118  
 Mötteli, C., 39  
 Mumford, L., 165  
 Näf, W., 234  
 Napoleon I, 59, 62, 87, 114  
 Naville, E., 105  
 Neergaard, K. von, 82  
 Nketzsche, 25, 63  
 Odilon-Barrot, 58  
 Odysseus, 151  
 Ohlin, B., 222  
 Olaus, P., 104  
 Olivares, 57  
 Oppenheimer, F., 97  
 Ortega y Gasset, 53, 57, 59, 106, 116, 135, 150  
 Osborn, F. J., 165  
 Otto, R., 80  
 Papen, von, 207  
 Pareto, 59  
 Pascal, 41, 77, 179  
 Penn, Wm., 105  
 Penelope, 27  
 Perticone, G., 149ff  
 Pestalozzi, 24, 52, 82, 155, 159  
 Petrarch, 119  
 Pfandl, L., 57  
 Philip II, 49, 57  
 Picard, M., 137  
 Pilate, Pontius, 73  
 Plato, 126  
 Playne, C. E., 81, 151



# INDEX

- Portmann, A., 81f  
 Preen, von 132  
 Pregitzer, W., 126  
 Pyrrhus, 73  
 Raabe, W., 164  
 Radbruch, G., 123  
 Rahner, H., 115  
 Ranke, 58  
 Rappard, W. E., 37, 80  
 Rathenau, 79  
 Rauschnig, H., 79  
 Renan, E., 63ff, 67  
 Reynaud, P., 26, 209  
 Riese A Réquet, W., 81  
 Roberts, M., 59, 95, 147  
 Robertson, D. H., 222f  
 Rodier, 174  
 Roosevelt, 27, 30, 38f, 123, 207  
 Rosenstock, E., 174, 181  
 Rostovtzeff, 116  
 Rousseau, 26, 52, 58, 71, 102, 123, 226  
 Royer-Collard, 71, 101  
 Rumpelstilzchen, xx  
 Ruskin, 126, 150  
 Rüstow, xxiii, 28, 36, 39, 58, 80, 97, 149  
 Ruth, 151  
 Saint-Simon, 20, 54f, 60, 63, 69, 126, 181  
 Scheler, M., 81, 234  
 Schiller, 80, 97  
 Schindler, D., 115  
 Schinkel, 97  
 Schmidt, W., 81  
 Schnabel, F., 79  
 Schopenhauer, 150  
 Schulze-Gävernitz, G. von, 115  
 Schumpeter, J., 181, 223  
 Schwarz, A. B., 115  
 Secrétan, Ch., 105  
 Seillière, E., 58  
 Shakespeare, W., 80, 129, 187  
 Sigismund, King of Poland, 104  
 Simmel, George, 81  
 Simons, H. C., 223  
 Sismondi, 12  
 Smith, A., 52f  
 Smith, Russell J., 165  
 Sombart, W., 81  
 Speerli, L., 58  
 Spinoza, 119  
 Stael, Mme. de, 105  
 Steed, W., 127  
 Steinbeck, 133  
 Studler, A., 194  
 Tacitus, 66, 78, 106  
 Taine, 51, 58, 64f, 106, 131, 134, 150  
 Talleyrand, 86  
 Theodosius, 119  
 Thibon, G., 111, 137, 150, 154, 160, 164  
 Thompson, J. G., 165  
 Thucydides, 54  
 Tocqueville, 78, 100ff, 132  
 Treitschke, 104  
 Ulpian, 72  
 Valk, W. L., 222  
 Vattel, 105  
 Vauvenargues, xx  
 Villey, G., 81  
 Viner, J., 222  
 Vinet, A., 105  
 Voltaire, 52  
 Vossler, O., 58  
 Wagner, 18  
 Wasa, Gustavus, 104  
 Webb, S. & B., 38  
 Weber, M., 73f  
 Wells, H. G., 63  
 Whitehead, A. N., 4, 80  
 Wiese, L. von, 81  
 Wilcox, C., 39  
 William I., Emperor, 97, 126  
 William of Orange, 1, 81  
 Williams, Roger, 105  
 Young, Allyn, A., 181  
 Zschokke, H., xiii  
 Zürcher, J., 97  
 Zwingli, 52, 103